



Annual Report 2004





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PR Ramasubrahmaneya Rajha



PR Venketrana Raja

Dear Shareholders,

It gives us immense happiness and a sense of pride to share with you the positive news that all our efforts and investments of the past few years have started yielding expected results, and, for the Jan'04-Mar'04 quarter, we have achieved break-even globally, and in India, we have registered a net profit of Rs 4.20 crores during the last quarter of the financial year 2003-'04.

During the year, we continued to invest in your company's unique solution assembly and delivery platform Ramco VirtualWorks®. The platform has successfully delivered the promised order-of-magnitude benefits and we are currently at an exciting stage of leveraging this innovation globally, thereby ensuring rapid penetration and growth. Our continuous investments in building a repository of business components helped us aggressively pursue market expansion, and during the year, a few significant customers have been acquired. The company is also investing in world-class management talent, especially in the market facing functions. The year also marked your company's first order win to license the VirtualWorks platform from a government organization in South Africa.

The year also witnessed the global acceptance of our new and innovative "Personalized Assembly" approach to developing and delivering enterprise solutions. In developed markets such as the USA, the company has successfully transformed itself from serving mid-sized companies to providing ERP class assembled solutions to medium and large enterprises in manufacturing, aviation and financial services. Such solutions offer dual benefits that of an ERP class offering and of the high flexibility in creating new business processes.

The various offerings of your company have been streamlined into domain-specific Solution centers for dedicated and superior customer responsiveness and focused service. All our offerings have been well received and this has resulted in your company gaining entry into newer markets and verticals which is reflected in the improved performance, consistent quarter-on-quarter growth and a healthy prospect base.

During the year, we have initiated steps to protect our intellectual property with the filing of 46 provisional patent applications in the United States Patent and Trademark office.

DecisionWorks , a holistic offering of Ramco's Corporate Performance Management Solution (earlier called Ramco Business Decisions) has won several important deals during the year including ICI Uniqema, Maurice Lacroix-Switzerland, South West of England Regional Developmental Agency-UK, Medical Latex-Malaysia among others. This solution center has commenced a partner program and we are in advanced stages of finalizing three partners in Europe.

Ramco Optima Ramco's process optimization solution has been implemented outside India for the first time, at Pahang Cement Co., Malaysia. During the year, the solution has also broken new grounds in the Power and Fertilizer sectors.

The Secure Converged Networking Solutions business has won prestigious deals and this business is constantly moving up the value chain to provide Consultancy Services.

The global revenues of Ramco Systems Ltd., including revenues from subsidiaries in USA, Switzerland, Singapore, Malaysia and South Africa and branches in UK and Germany registered USD 37.22 million, posting a growth of 15% over the corresponding revenues in the previous fiscal(2002-03).

We thank our investors who continue to repose their faith in us and have over-subscribed to the maiden rights issue.

With an innovative and proven technology, satisfied global customers, competent people and a healthy prospect base, we expect an aggressive revenue growth in the coming quarters.

Warm regards,



PR Ramasubrahmaneya Rajha
Chairman



PR Venketrama Raja
Vice-Chairman,
Managing Director and CEO





Corporate Theme

Investments in Technology Yielding Results

This year has been a very satisfying one, in that, we have achieved most of the objectives set:

- ▶▶ Secured our investments in Intellectual Property (IP) with the filing of over 45 patent applications in the United States Patent and Trademark office.
- ▶▶ Released Version 2.0 of Ramco VirtualWorks®, our development and delivery platform, with advanced Process to Application features.
- ▶▶ Built a repository of over 500 pre-assembled Components spanning a number of markets such as manufacturing industries, asset-intensive and service organizations.
- ▶▶ Attained a critical mass of successful implementations for our pre-assembled Enterprise Solutions.
- ▶▶ Consolidation of the Aviation MRO Solutions Practice with key customers such as Petroleum Helicopters Inc., the largest helicopter services provider in the Americas.
- ▶▶ Jumpstarted our Personalized Enterprise Solutions Practice in verticals such as Healthcare, eGovernance and Banking, Financial Services & Insurance.

Pre-Assembled Enterprise Solutions

The IP of the earlier ERP solutions has now been crystallized into over 500 pre-assembled Components across various verticals such as Discrete Manufacturing, Process Manufacturing, Aviation, Enterprise Asset Management, HRMS and Logistics.

This, coupled with the advantages of the Process-to-Application platform Ramco VirtualWorks, has given us an edge over competition and helped us acquire key customers such as Government of Andhra Pradesh, India (Complete HRMS solution for over 1.3 million state government employees), Tropical Cheese Inc., USA (Process Manufacturing Solution), Kardex Ag, Switzerland (Discrete Manufacturing solution).

The business-process-centric design of components facilitates component reuse across verticals, thereby lowering Total Cost of Ownership. For e.g., Bemis Inc., USA, a Fortune 500 printing and packaging firm, has reused Ramco's Aviation components to manage utilization of their Anilox Printers.

Over 30 Customers have reposed their faith in solutions built on Ramco VirtualWorks and are reaping huge benefits in terms of increased fitment, flexibility and responsiveness to business process changes.

We plan to leverage on these successes and achieve compounded growth in our scale of operations. We are also working with Process Consulting and Sales Partners to improve our reach and develop an ecosystem of satisfied customers.

Personalized Enterprise Solutions

The model-based architecture of Ramco VirtualWorks substantially lowers TCO and provides significant advantages over conventional software development vis-à-vis

- ▶▶ Increased traceability
- ▶▶ Upfront preview of the application through user interface generators
- ▶▶ Automation of a majority of the software development life cycle

This technology edge has enabled us to make an aggressive entry into the hitherto Project / Custom solution space dominated by traditional software services firms.

This has been proven in Banking & Financial Services, Healthcare and eGovernance industries with quite a few customer acquisitions such as Novare, Europe, AFL Wiz, India, Commerce Bank, USA and Citigroup, India.

Significant growth is expected in these verticals through Direct and Partner-led marketing initiatives.

Lastly, many large corporations and government organizations find the value proposition of Ramco VirtualWorks extremely promising, as it enables them to manage their large IT initiatives efficiently and effectively.

Of strategic importance, is an engagement with a South African government organization, which has chosen to standardize Ramco VirtualWorks as its development and delivery platform for all its IT Solutions. This is an excellent endorsement of the capabilities of Ramco VirtualWorks.

Focus on Market Initiatives

Our continued focus on Technology and pre-assembled Solutions over the last few years has now started yielding results with initial successes and acceptance in the global markets.

We are at an inflection point with Ramco VirtualWorks, creating a new opportunity space - Personalized Enterprise Solutions, providing the best of both Product and Custom Solutions.

We feel that now is the right time to invest in market creation initiatives to translate these opportunities into successful revenue streams.

In the coming year, we will be strengthening Marketing with

- ▶▶ Consolidation and streamlining of marketing activities
- ▶▶ Setting up of infrastructure and processes
- ▶▶ Beefing up of sales and marketing personnel

This, coupled with appropriate messaging and positioning of our offerings, would help us penetrate global markets and establish ourselves in the Enterprise Solutions space.

We are also exploring strategic tie-ups and partnerships to help us gain entry to key large accounts.



RAMCO SYSTEMS LIMITED

BOARD OF DIRECTORS

Shri P.R. RAMASUBRAHMANEYA RAJHA
Chairman

Shri P.R. VENKETRAMA RAJA
Vice-Chairman, Managing Director & CEO

Shri S.S. RAMACHANDRA RAJA

Shri N.K. SHRIKANTAN RAJA

Shri M.M. VENKATACHALAM

Shri V. JAGADISAN

AUDITORS

Messrs. CNGSN & ASSOCIATES
Chartered Accountants, Chennai

BANKERS

State Bank of India

HDFC Bank Ltd.

Citibank N.A.

ICICI Bank Ltd.

UTI Bank Ltd.

REGISTERED OFFICE

47, P.S.K. Nagar, Rajapalayam – 626 108

CORPORATE OFFICE & RESEARCH AND DEVELOPMENT CENTRE

No.64, Sardar Patel Road, Taramani, Chennai – 600 113

SUBSIDIARIES

Ramco Systems Corporation, USA

Ramco Systems Limited, Switzerland

Ramco Systems Pte.Ltd., Singapore

Ramco Systems Sdn.Bhd., Malaysia

RSL Enterprise Solutions (Pty) Ltd., South Africa

REGISTRAR AND SHARE TRANSFER AGENT

Messrs. Cameo Corporate Services Limited
Subramanian Building, No.1, Club House Road, Mount Road, Chennai – 600 002

Ramco Systems Limited, India

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

Financial Results

	Year ended 31st March, 2004	(In Rs. Million) Year ended 31st March, 2003
Net Sales/Income from Operations	823.09	810.25
Other Income	36.09	39.59
Total Income	859.18	849.84
Expenditure		
- Cost of resale material	253.22	365.15
- Staff Cost	341.56	351.51
- Sales & Marketing expenses	70.51	25.87
- Administration & Other Expenses	248.43	168.16
Total Expenditure	913.72	910.69
Earnings before interest, Depreciation, Amortisation & Tax	(54.54)	(60.85)
Interest	119.51	68.91
Depreciation	101.82	104.57
Amortisation	56.80	38.85
Profit / (Loss) before tax	(332.67)	(273.18)
Provision for Taxation	-	-
Net Profit / (Loss)	(332.67)	(273.18)

BUSINESS OPERATIONS OVERVIEW

During the last year, we have made positive strides on multiple fronts. We have invested on enriching the company's unique platform – Ramco VirtualWorks®, expanded our international operations with the opening of offices in Dubai and South Africa and initiated discussions with multiple partners for rapid market penetration and growth. During the year, the complete suite of ERP class offerings built on Ramco VirtualWorks – Ramco Enterprise Series, was released to the market.

The year also witnessed the global acceptance of our new and innovative “Personalized Assembly” approach to developing and delivering enterprise solutions. Such solutions offer dual benefits – that of an ERP class offering and of the high flexibility and fitment of a custom-built solution. Over the year, the company has enhanced its repository to over 500 pre-built business components that support a wide range of business processes across diverse segments.

These pre-built, ERP class offerings have been organized into seven pre-packaged solutions that include Process Manufacturing, Discrete Manufacturing, Aviation, Enterprise Asset Management, Human Resource Management Solutions, Corporate Solutions and Corporate Performance Management.

Sectors that show promise to our offerings include Government, Manufacturing, Aviation, Banking, Financial Services, Logistics and Services.

Global revenues of Ramco Systems Limited, including revenues from subsidiaries in USA, Switzerland, South Africa, Singapore, Malaysia and branches in UK and Germany registered USD 37.22 million, achieving a growth of 15% over the corresponding revenues in the previous fiscal (2002-03).

DOMESTIC OPERATIONS

In India, we continued to focus on the enterprise solutions market apart from Secure Converged Networking Solutions and Ramco DecisionWorks.

In the Financial Solutions space, we have successfully executed multiple projects for a leading global American financial services group. Some of the projects include Mutual Fund Sweep System, Reconciliation System, EasyPay Vendor System and Nostro Accounting System among others.

Ramco DecisionWorks, Ramco's holistic Corporate Performance Management Solution has won several important orders during the year. Some of the wins include Supply Chain analytics for ICI Uniqema, Moser Baer, IP Rings; Manufacturing analytics for Meridian Apparels among others.

Ramco's Process Optimization solution – Ramco Optima, which is traditionally strong in the cement industry, has expanded its success to new sectors such as Power and Fertilizer. This has resulted in a strong revenue growth of this business over the previous year.

Ramco values its employees as the key to its success. The company worked with a leading HR consultancy firm - Mercer Human Resource Consulting and successfully implemented the recommendations on position clarification and evaluation for managers. For the first time, the company has introduced a Performance Linked Variable Compensation scheme to attract, retain and reward professionals. The year also witnessed the launch of a task based appraisal system. Schemes to recognize employee contribution such as 'Employee of the Quarter' and 'Employee of the Year' were initiated by the Secure Converged Networking division.

During the year, KPMG has certified Ramco Systems as an ISO 9001:2000 Quality standards organization and also assessed it at Level 4 of the coveted SEI-CMM. The earlier ISO Certification was based on 1994 Standards.

OVERSEAS OPERATIONS

During the year, the US geography successfully introduced our new approach of providing personalized solutions and transformed itself from an ERP product company mainly competing for small manufacturing and aviation orders, to a company offering assembled solutions to midsize and large enterprises in manufacturing, aviation and financial services industries. The US geography has significantly increased the license fees for its pre-built components and rates for professional services delivered to the market, based on the added value that a personalized solution assembly brings to its customers. The geography has won a significant order to provide Aviation Solutions and has reported a 37% growth in revenues during the year. Ramco USA has opened up the US Financial Services industry with a first project for Commerce Bank, one of the fastest growing banks in the United States.

In the Middle-East, we have signed up our first Ramco VirtualWorks based Human Resource Management solution customer. The implementation will cover 600 employees across 12 branches of RAKBANK in the United Arab Emirates. In the customers' words, "The solution comfortably meets the bank's requirements and the implementation plan is in line with our business strategy for 2004". One of the highlights of the solution is the **Multi-language capability** for reports in Arabic which is a statutory requirement.

Our European operations have won key orders from companies in Aviation, Government and Healthcare sectors. The year saw Ramco's UK & Benelux operations transform from pure services to providing assembled solutions. The UK Branch has won pilot order wins from a government agency, a large retailer and a local council by working with local partners.

During the year, we have forayed into South Africa with the setting up of an office in Durban. In the first year itself, we have won a significant and strategic order to engage the Ramco VirtualWorks platform for developing solutions, from a South African municipality. The engagement is the first of its kind for Ramco and is expected to be long term and mutually rewarding.

Ramco DecisionWorks, Ramco's holistic Corporate Performance Management Solution has won several important orders during the year. Some of the overseas wins include Supply Chain analytics for Medical Latex (Malaysia), Maurice Lacroix (Switzerland), e-Governance CRM analytics for South West of England Regional Developmental Agency (UK), Manufacturing analytics for Tropical Cheese (USA) and Maintenance analytics for Conair (Canada). This solution center has inked a few partnerships in Europe and is in discussions with many more to grow aggressively in the coming year.

Ramco's Process Optimization solution – Ramco Optima has been implemented outside India for the first time, at Pahang Cement Co., Malaysia.

Our new approach of providing the best of both ERP class offerings and custom built solutions has been well received across all geographies and we intend to focus on Government, Manufacturing, Aviation, Banking, Financial Services, Logistics and Services.

GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS 21

The Global consolidated financial statement as prescribed by ICAI under Accounting Standard 21 together with the Auditors Report thereon is enclosed.

INCREASE IN PAID UP CAPITAL

- ◆ During the year, 11,750 Share Options were exercised by the employees under ESOP 2000 Scheme.

Ramco Systems Limited, India

- During the year the Company came out with a Rights Issue of 3,872,511 Equity shares of Rs.10/-each at a premium of Rs.190/- per Equity share in the ratio of one Equity share for every two shares held (1:2). The issue opened on 12th November 2003 and closed on 12th December 2003 and was subscribed to the extent of 1.22 times. The basis of allotment, finalized in consultation with the Designated Stock Exchange, viz., The Stock Exchange, Mumbai on 2nd January 2004, was approved by the Rights Issue committee of the Board of Directors on 3rd January 2004. Electronic credit of shares, dispatch of physical share certificates and dispatch of refund orders were duly completed. The first and final call money of Rs.100/- per share was made in March 2004. As on 31st March 2004, members holding 111,500 shares did not pay the call money amounting to Rs.11,150,000/- and they have now been given time till 30th June 2004 for the payment of the said call money to avoid forfeiture.

Consequent to the above, paid up capital of your Company has increased from Rs.77,680,720/- to Rs.116,523,330/-

UTILISATION OF PROCEEDS OF RIGHTS ISSUE

The details are given in Note No: 13(b) to the Notes on Accounts.

RESEARCH AND DEVELOPMENT

In continuation of the R&D efforts, Ramco Systems has made further enhancements in the solution delivery methodologies and application of technologies. The Ramco VirtualWorks platform has been further refined and enhanced with additional features. Significant investments have been made in enriching its repository to over 500 pre-built business components that support pre-packaged solutions including Process Manufacturing, Discrete Manufacturing, Aviation, Enterprise Asset Management, Corporate Solutions, Human Resource Management Solutions and Corporate Performance Management. These pre-packaged solutions are marketed globally as Ramco Enterprise Series.

Assembled Solutions – Superior ROI

Traditionally, software has been either packaged as a product, with the available functionality being rigid and change only possible through the vendor's release plans, or developed from the ground-up as a custom solution, resulting in high lead times, high total cost of ownership and challenging maintenance issues.

'Software Assembly' is the process by which an IT solution is constructed from a mix of existing and newly built components - small pieces of software that Ramco stores in a repository or library. Solutions built by software assembly have a high degree of fit, low total cost of ownership due to re-use of components and shorter project lead times, maintaining the best attributes of both the product and the custom approach, without the negatives of either.

Instead of offering a 'one size fits all' solution, designed for generic business challenges, Ramco gives a Personalized Solution. The solution from Ramco is uniquely tailored to the customers' business requirements - explaining why Ramco customers derive superior ROI and enjoy remarkable user acceptance.

Ramco DecisionWorks

During the year, investments have been made in enhancing Ramco Business Decisions to Ramco DecisionWorks. The enhanced DecisionWorks suite offers a comprehensive corporate Performance Management solution that complements ProcessWorks & VirtualWorks to offer comprehensive IT solutions to organizations.

A separate Profit and Loss Account, Balance Sheet and Schedules in respect of Research & Development Activities is enclosed as part of the Accounts.

QUALITY

Ramco Systems employs stringent quality standards. During the year, the company has been certified as an ISO 9001:2000 Quality standards organization and assessed at Level 4 of the coveted SEI-CMM.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year.

RETIREMENT OF DIRECTORS

Shri P.R. Ramasubrahmaneya Rajha and Shri. N.K. Shrikantan Raja, Directors retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The auditors CNGSN & Associates, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Particulars as prescribed under Sub Section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure A to this Report.

EMPLOYEE PARTICULARS

The particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. However any shareholder interested in obtaining such particulars may write to the Corporate Office of the Company.

CORPORATE GOVERNANCE

A detailed note on the Company's philosophy on Corporate Governance and the Management Discussion and Analysis report and such other disclosures (including details regarding Employee Stock Option Schemes) as are required to be made under the Listing Agreement with the Stock Exchanges, is separately annexed herewith and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

That the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

That the selected accounting policies were applied consistently and judgements and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

That the annual accounts were prepared for the financial year ended 31st March, 2004 on a going concern basis.

COMPLIANCE CERTIFICATE

A Certificate from the auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

ACKNOWLEDGEMENT

Your Directors wish to thank the clients, vendors, investors and bankers for their continued support of your Company's growth. Your Directors place on record their appreciation of the contribution made by all employees at all levels who have been responsible for the growth of your Company.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

ANNEXURE TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2004

In terms of Section 217(1) (e) of the Companies Act (as amended) and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31st March 2004.

(A) CONSERVATION OF ENERGY

The operations of your company are not energy intensive.

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNING AND OUTGO

- | | | |
|---|---|--|
| i) Activities relating to export | : | Export of Software to Middle East, Phillipines, Thailand, South Africa and Brunei. |
| ii) Initiatives taken to increase exports | : | Marketing efforts are being made in the subsidiaries abroad to increase sales and corresponding exports. |
| iii) Development of new export market for products and services | : | Marketing efforts in countries like South Africa and UAE are being undertaken in the current year. |

(Rs. in lacs)

- | | | |
|---|---|-------|
| (D) i) Total foreign exchange used | : | 2,891 |
| ii) Total foreign exchange earned | : | 3,023 |

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

SPECIAL AREAS IN WHICH THE COMPANY CARRIES OUT R&D

Ramco VirtualWorks

Ramco VirtualWorks is :

- A **model-based architecture** that allows you to capture knowledge about processes and the application, store it in a database and turn it into code.
- An **Integrated software delivery process** that defines the scope of your project and the requirements for your application.
- A **business process based approach** radically different from the traditional, data-centric approach found in product-based and custom solution development.

The platform has Code generators that create the application using the various models created as part of the delivery process. It also possesses an application preview facility to visualize applications and get user acceptance before they are assembled. Impact analysis support on the models helps to clearly identify the artifacts that need to be changed / created / removed.

During the year, R&D investments have been made to make the suite of enterprise solutions available on all technology platforms. The repository of ERP class business components has been completed and reverse loading facility enabled to package for external partners.

Investments have been made in conforming our solutions to the European Financial System. This would help in obtaining certification in the near future. Porting of the DecisionWorks offering into the Oracle platform was done during the year. This is expected to enhance our market opportunities and offer a better value proposition to our prospects.

Investments have been made in reverse loading of Ramco's pre-built components into VirtualWorks using 2.0 platform. Software reverse engineering involves reversing a program's machine code (the string of 0s and 1s that are sent to the logic processor) back into the source code that it was written in, using program language statements. Software reverse engineering is done to retrieve the source code of a program because the source code was lost, to study how the program performs certain operations, to improve the performance of a program, to fix a bug (correct an error in the program when the source code is not available), to identify malicious content in a program such as a virus, or to adapt a program written for use with one microprocessor for use with a differently-designed microprocessor.

Investments have been made in making our software solutions comply to the Sarbanes Oxley Act (SOX). The SOX Act has been passed by U.S. Congress to protect investors from the possibility of fraudulent accounting activities by corporations.

Benefits derived as a result of the above R&D

Ramco VirtualWorks offers the following benefits

- Faster development and delivery of assembled solutions
- Increased value for customers and partners
- Effective management of engagements involving partners
- Better quality of solutions
- Increased productivity
- Easier change-on-demand
- Preview the solution even before a piece of code is written

Future Plan of Action

The company continues to undertake research and development activities with the following objectives:

1. To create processes for integrated roll-out of assembled applications
2. To create processes for integrated Estimation (IFPUG standards), Planning and Control of solutions delivery
3. To make the platform fully available over the internet to enable new business models while engaging multiple partners.

Expenditure on R&D	(Rs. in lacs)
(A) Capital	90.70
(B) Recurring	3,255.89
(C) Total	3,346.59
(D) Total R&D expenditure as a percentage of total turnover	40.7%

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Ramco Systems Limited (RSL) is committed to maintaining high standards of Corporate Governance, and protecting customers and shareholders interests and the Company endeavors to maintain transparency at all levels. The following is a report on the status and progress on major aspects of corporate governance.

BOARD OF DIRECTORS

The composition of the Company's Board of Directors is in conformity with the code of Corporate Governance. The structure of the Board is as under:

Composition and category of Directors

SI No	Name of the Director	Category
1	Shri P.R. Ramasubrahmaneya Rajha	Non Executive Director
2	Shri P.R. Venketrama Raja	Executive Director
3	Shri S.S. Ramachandra Raja	Non Executive Promoter Director
4	Shri N.K. Shrikantan Raja	Non Executive Promoter Director
5	Shri M.M. Venkatachalam	Non Executive Independent Director
6	Shri V. Jagadisan	Non Executive Independent Director

The Managing Director manages the day-to-day affairs of the Company assisted by a Corporate Executive Council consisting of top executives of the Company. The Board met 7 times during the year on 9th May, 11th June, 23rd June, 30th July, 29th September, 25th October 2003 and 19th January 2004. Details of attendance of each Director at the Board Meetings held during the year are as follows:

Attendance of each Director at the BoD Meetings and the last AGM

SI No	Designation	Name of the Director	No of Board Meetings (Attendance)	Last AGM Attendance
1	Chairman	Shri P.R. Ramasubrahmaneya Rajha	7	Yes
2	Vice Chairman & Managing Director	Shri P.R. Venketrama Raja	5	Yes
3	Director	Shri S.S. Ramachandra Raja	6	Yes
4	Director	Shri N.K. Shrikantan Raja	6	Yes
5	Director	Shri M.M. Venkatachalam	3	Yes
6	Director	Shri V. Jagadisan	6	No

BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of the Board and Committee Meetings. The Board of Directors meets at regular intervals. The Company holds minimum of four Board Meetings in each year. However apart from the Board Meetings, additional Board Meetings are convened by giving prior notice to the Directors to address the specific needs of the company. The Board may also approve permitted urgent matter by passing resolution by Circulation. Among other things the Board considers the following matters.

- Strategy and business plans
- Annual Operating and expenditure budgets
- Compliance with statutory requirements
- Adoption of Quarterly/Half Yearly/Annual results

BOARD COMMITTEES

In accordance with the Code of Corporate Governance, the Board has set up the following Committees.

AUDIT COMMITTEE

a) Brief description in terms of reference

The Audit Committee consists of three Non Executive Directors with Shri M.M. Venkatachalam (as Chairman) Shri V. Jagadisan and Shri S.S. Ramachandra Raja as Members of the Committee.

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The Audit Committee reviews the following:

- Internal Audit reports.
- Auditor's Report on the financial statements.
- The strength and weakness of the internal controls and recommendations relating thereto.
- Compliance with accounting standards
- Capital Expenditure
- Monitoring of Cost Control measures

Names of Members and Chairman, Meetings and attendance

During the year the Audit committee met 4 times viz., 20th June, 29th July, 22nd October 2003 and 17th January 2004. The attendance of directors at the committee meeting is as follows:

SI No	Designation	Name of the Director	No of Audit Committee Meetings Attended
1	Chairman	Shri M.M. Venkatachalam	4
2	Director	Shri S.S. Ramachandra Raja	3
3	Director	Shri V. Jagadisan	4

REMUNERATION COMMITTEE

The company has one Executive Director Shri P.R. Venketrama Raja who is the Managing Director and was appointed in the Board Meeting held on 23rd March 2000. His appointment and remuneration (please refer item 6 of Notes to accounts) was approved by the shareholders at their Extraordinary General Meeting held on 12th June 2000. Since the company does not have any other executive directors, the Remuneration Committee has not been constituted. As and when the company proposes to appoint any other executive Directors on the Board, arrangements will be made to constitute a remuneration committee in line with the guidelines on Corporate Governance. The company does not pay any remuneration to the independent directors other than Sitting fees.

SHAREHOLDERS COMMITTEE

The Shareholders Committee of the Board looks into the redressal of grievances of shareholders relating to transfer of shares, non receipt of Share certificates, change of address, dematerialisation of Physical shares etc. The Committee's main focus is on the basic rights of the shareholders including, Transfer of Shares, Transmission / Transposition of Shares, Issue of Duplicate / split Share Certificates, Sub Division / Consolidation of Shares, Consolidation of Folios, Dematerialisation of Physical shares / Rematerialisation of Electronic Shares, and such other issues relating to shares. During the year the committee received 9 complaints from the shareholders and redressed all. The Committee also oversees the performance of the Registrar and Share Transfer Agents and recommend overall improvement in the quality of Investor Services. The Committee also monitors the Compliance of the Company's Code of Conduct for Prevention of Insided Trading in pursuance of SEBI (Prohibition of Insided Trading) Regulation's 1992.

During the year the Shareholders Committee met 9 times, viz. 19th April, 27th May, 23rd June, 21st July, 4th September, 29th October, 14th December, 2003, 19th January and 27th February, 2004. The attendance of directors at the committee meeting is as follows:

S No	Designation	Name of the Director	No of Shareholders Committee Meetings(Attended)
1	Chairman	Shri P.R. Ramasubrahmaneya Rajha	9
2	Director	Shri P.R. Venketrama Raja	5
3	Director	Shri N.K. Shrikantan Raja	4

Mrs. S. Aneetha – Secretary of the Committee.

Ramco Systems Limited, India

Name and designation of Compliance Officer:

The Company has appointed Mrs. S. Aneetha, Company Secretary as the Compliance Officer as per Clause 47(a) of the Listing Agreement entered with the Stock Exchanges.

i) Details of complaints received and redressed during the year

SI No	Particulars	Received	Redressed	Pending as on 31.3.04
1	Non receipt of share certificates	9	9	Nil
2	Change of Address request	34	34	Nil
3	Issue of Duplicate Share Certificates	2	-	2 *
4	Request for Stop Transfer	Nil	Nil	Nil
5	Pending Share Transfer	Nil	Nil	Nil

* Requires procedural documents

COMPENSATION COMMITTEE

The Board of Directors of the Company reconstituted the members of the Compensation Committee effective 9th April 2004. The members of the reconstituted Compensation Committee consists of:

1. Shri M.M. Venkatachalam - Non-Executive Independent Director (as Chairman)
2. Shri P.R. Ramasubrahmaneya Rajha - Non-Executive Director
3. Shri V. Jagadisan - Non-Executive Independent Director

The primary objective of the Committee is to constantly review the compensation levels across various positions in the Company, in order to ensure that the Company offers attractive compensation in line with the industry standards, to retain and develop best talent. It also administers the grant of stock option under various schemes of the Company.

The Committee met three times viz., 9th April, 25th June and 14th December 2003, which was attended by all the members of the Committee.

Details of various Employee Stock Option Schemes are given below:

a) Employee Stock Option Plan, 2000 (ESOP 2000)

At the Annual General Meeting held on 28th August 2000, the shareholders had approved ESOP 2000) for the grant of options to employees convertible into equity shares aggregating to 160,000 equity shares of Rs.10/- each. Subsequently, the Company had granted 126,150 shares to the employees under the Scheme at a price of Rs. 254/- per share (market price as on 12th April 2001) in April 2001 with a vesting period of 2-3 years. After the expiry of vesting period, certain employees have exercised their options during the year and 11,750 shares were allotted as per details given below :

SI. No.	Date of Allotment	Number of employees	No. of shares exercised	Listing details of shares allotted
1	28.04.2003	10	3,550	Listing permission and Trading permission were obtained from Madras Stock Exchange Ltd., The Stock Exchange, Mumbai and National Stock Exchange Ltd.
2	30.05.2003	13	4,425	
3	23.06.2003	9	3,775	
	Total	32	11,750	

Further, at the meeting of the Compensation Committee of Directors held on 14th December 2003, it was decided to offer 67,700 fresh Options for subscription to the equity shares of the Company, at an exercise price of Rs.227/- per share (as adjusted from the original price of Rs.254/-, for the Rights Exercise as per SEBI guidelines), with a vesting period of three years, to the Employees of the Company and its subsidiaries, based on the eligibility criteria framed by the Compensation Committee.

b) Employees Stock Option Scheme, 2003 (ESOS 2003)

At the Extra-ordinary General Meeting held on 9th April, 2003 the shareholders of the Company approved the grant of options to employees convertible into equity shares aggregating to 5,00,000 equity shares of Rs.10 each. The Compensation Committee in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 together with the amendment made in June 2003 thereto, framed a detailed scheme and accordingly, grant of Options were made to the extent of 4,64,500 options on 1st January 2004, at an exercise price of Rs.284/-per share (as adjusted for the Rights Exercise as per SEBI guidelines).

The details of the Options granted under the abovesaid schemes as on 31st March, 2004 are given below:

SI.No.	Particulars	ESOP 2000	ESOS 2003
1	Total Options	160,000 equity shares	500,000 equity shares
2	Options granted	81,800 equity shares *	413,200 equity shares *
3	Exercise Price	Rs.227/- per share (as adjusted from the original price for the Rights Exercise, as per SEBI guidelines)	Rs.284/- per share (as adjusted from the original price for the rights Exercise, as per SEBI guidelines)
4	Options Vested	14,100	Nil
5	Options Exercised	11,750	Nil
6	Total Number of shares arising as a result of options	11,750	Nil
7	Unvested Options	67,700	413,200
8	Money realised by exercise of options	Rs.2,984,500	Nil
9	Employee-wise details of options granted to:		
	i) Senior Managerial personnel	Nil	Nil
	ii) Any other employee who receives a grant in one year of option amounting to 5% or more of option granted during the year	Nil	Nil

*(Net of Cancellations due to employee separations)

GENERAL BODY MEETINGS

Details of location, time and date of last three Annual General Meetings and Extra ordinary General Meeting:

DATE	MEETING	LOCATION	TIME
01.08.01	AGM	Shri P A C R Centenary Community Hall, Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam 626 108	03.00 P.M
09.09.02	AGM	-do-	10.00 A.M
11.08.03	AGM	-do-	02.30 P.M
09.04.03	EGM	47, PSK Nagar, Rajapalayam 626 108	10.00 A.M

POSTAL BALLOT

No Postal Ballot was conducted in any of the General Body Meetings held so far by the Company. At the ensuing Annual General Meeting there is no resolution proposed to be passed by Postal Ballot.

DISCLOSURES

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of company at large: We have disclosed the related party transactions in note number 18 of Notes on Accounts

Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : **Nil**

MEANS OF COMMUNICATION

The Board of Directors of the company takes on record the Unaudited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to the stock exchanges where the Company's shares are listed. The same are also published within 48 hours in the newspapers viz., Financial Express (English) and Makkal Kural (Tamil).

Quarterly results, Half-Yearly results, Annual Results and Shareholding Pattern as well as the Press Releases are displayed on the Company's website at www.ramco.com. In addition to the above, the company also regularly provides information to the stock exchanges as per the requirements of the Listing Agreements and updates the information on new developments and business opportunities of the Company in the website periodically. The company also posts the quarterly/half year results and shareholding patterns, Annual Reports on SEBI's website under Electronic Data Information Filing and Retrieval (EDIFAR) system.

Press briefings are held after important occasions viz., announcement of quarterly results, new tie up etc. Shareholders are being provided with timely information on all Company related matters.

The Management Discussions and Analysis giving an overview of the industry, Company's business and its financials etc., is provided separately as a part of the Annual Report.

GENERAL SHAREHOLDER INFORMATION

1	Number of Annual General Meeting	Seventh
2	Date	28 th July, 2004
3	Day	Wednesday
4	Time	11.30 A.M
5	Venue	Shri P.A.C. Ramasamy Raja Centenary Memorial Community Hall, PAC Ramasamy Raja Salai, Rajapalayam-626 108

Financial Calendar (Tentative – Subject to change)

A	I Quarter Results for June, 2004	Between 15 th July & 31 st July, 2004
B	II Quarter Results for September, 2004	Between 15 th Oct & 31 st Oct, 2004
C	III Quarter Results for December, 2004	Between 15 th Jan & 31 st Jan, 2005
D	Financial Results for the year ending 31 st March 2005	Between 15 th Jun & 30 th Jun, 2005
E	Annual General Meeting for the year ending 31 st March 2005	August/September, 2005
F	Dividend Payment Date	Nil

Listing of equity shares on the stock exchanges at:-

- A The Madras Stock Exchange Ltd, 11 Second Line Beach, Chennai 600 001
- B The Stock Exchange, Phiroze Jheejeebhoy Towers, Dalal Street, Mumbai 400 001
- C The National Stock Exchange of India Limited, Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400 013

Depositories

- A National Securities Depository Limited, Trade World, 4thFloor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013
- B Central Depository Services (India) Limited, 28th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

Listing fee for the financial year 2004-2005 has been paid to the stock exchanges where the Company's shares are listed. There has been no penalty imposed on the Company by Stock Exchanges or SEBI or any other statutory authorities on any matter relating to capital markets during the year.

Name of the Stock Exchange

Madras Stock Exchange Ltd
National Stock Exchange of India Ltd
The Stock Exchange Mumbai
ISIN No-Fully paid
ISIN No- Partly paid (for Rights Equity Shares)

Code

RSST
RAMCOSYS
RAMSYDM
INE 246B 01019
IN 9246B 01017

Finance

The Company has been assigned the following credit ratings by ICRA in respect of its debt program.

Programme	Credit Rating	Rating Degree	Amount
Commercial Paper	A1+	Highest Safety	Rs.10 Crores
Short term Loan	A1+(SO)	Highest Safety	Rs.25 Crores

Details of share price movements in National Stock Exchange of India Limited (NSE)

Sl No	Month	Volume	High (Rs.)	Low(Rs.)
1	April 2003	5,705,839	519.00	360.00
2	May	2,888,660	494.00	375.00
3	June	2,838,227	474.95	325.10
4	July	2,380,052	346.00	243.10
5	August	1,272,705	290.00	233.10
6	September	467,520	273.00	230.00
7	October	1,867,987	321.80	225.00
8	November	1,632,666	351.50	243.00
9	December	2,138,048	422.50	305.10
10	January 2004	772,460	407.00	270.00
11	February	397,491	318.00	240.00
12	March	411,075	286.00	211.05

Registrar and Share Transfer Agents

The Company's Shares both physical and Electronic Form (Demat) are handled by M/s. Cameo Corporate Services Limited, Subramanian Building, 1, Club House Road, Chennai-600 002, Phone:044-28460390: Fax:044-28460129. All the members are requested to correspond with them for any queries.

Merchant Bankers to ESOP 2000 & ESOS 2003 Schemes

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 together with the amendment made in June 2003 thereto, the Company has appointed Indbank Merchant Banking Services Limited, III Floor, Krest Building, Old No.26/27, New No.2, Jehangir Street, Chennai – 600 001 as the Merchant Bankers for the implementation of the above said Schemes.

Share Transfer System

The shares lodged for physical transfer/transmission/transposition are registered as per the requirement of the listing agreement if the documents are complete in all respects. Adequate care is taken to ensure that no transfers are pending for more than the period stipulated in the listing agreement. Shares requested for dematerialisation are confirmed within 15 days. The Company has, as per SEBI guidelines offered the facility of transfer-cum-demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the shares transferred and requesting him/her in case he/she wishes to demat the shares, to approach a Depository Participant with the option letter. Based on the option letter, the Depository Participant generates demat request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same, the Company dematerialises the shares. In case the transferee does not wish to dematerialise the shares, he/she need not exercise the option and the Company will despatch the share certificates within 15 days from the date of option letter. However, in terms of SEBI circular No. SEBI/MRD/Cir - 10/2004 dated 10th Feb. 2004, the Company has discontinued the practice of sending option letter for dematerialisation, from 27th Feb, 2004. During the year the Shareholders Committee has met 9 times and approved the transfer of 8128 equity shares and transmission of 50 equity shares during the period from 1st April 2003 to 31st March 2004. There is no specific complaint outstanding till date.

Ramco Systems Limited, India

Shareholding Pattern as on 31st March 2004

Description	Total Shares	%
Promoters	7,140,434	61.46
Mutual Fund & UTI	303	0.00
Financial Institutions	50	0.00
FII's	401,459	3.46
Insurance Companies	457,214	3.94
NRI's/OCBs	24,434	0.21
Banks	25,050	0.21
Bodies Corporate	131,932	1.14
Indian Public	3,436,657	29.58
Total	11,617,533	100.00

Dematerialisation of Shares and Liquidity

As on 31st March 2004, 10,151,726 shares representing 87.39% of the Company's total number of shares have been dematerialised. The Company has entered into agreements with both National Securities Depository Limited and Central Depository Services (India) Ltd to facilitate the shareholders to demat their equity shares with any one of the depositories.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity : The Company has not issued any GDR/ADR convertible Warrants

Plant Location

R&D Centre : 64 Sardar Patel Road, Taramani,
Chennai – 600 113

Address for Correspondence & Shareholders queries : Cameo Corporate Services Limited,
Subramanian Building, No.1, Club House Road,
Mount Road, Chennai – 600 002
Phone : 044-28460390 : Fax : 044-28460129

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement)

To

The Members of Ramco Systems Limited

We have examined the compliance of conditions of Corporate Governance by Ramco Systems Limited, for the year ended 31st March 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **CNGSN & Associates**,
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The year gone by has been an exciting period with lots of opportunities, challenges and achievements. While advances in technology and communications have helped create large scale, distributed applications, CIO's are under pressure to demonstrate the business value of the investments made in Information systems and technology. Also, of priority is ensuring the confidentiality of information and guarding against the increasing risk of identity theft, corporate espionage, data pirating, cyber terrorism, and information security breaches.

Our offerings cover a wide spectrum of the industry's requirements and we have made good progress during the fiscal. We continue to invest in enhancing the features and capabilities of Ramco VirtualWorks – the company's unique capability to develop, assemble and deliver solutions. Solutions assembled on this platform have been well received by our customers and the platform has proven to change the economics of software development. Currently, over 35 customers around the globe are under various stages of implementing solutions assembled on Ramco VirtualWorks.

Opportunities

Our unique approach to assembling and delivering solutions enables us to offer our services to a wide range of customers across diverse verticals. While our repository of business components helps us to provide the benefits of an ERP class offering, Ramco VirtualWorks enables us to additionally offer the 'flexibility' and 'fitment' of a typical ground-up built application. The platform has the ability to scale-up effortlessly and this helps us offer our solutions across all sizes of customers – large, medium or small.

The platform, by virtue of its robust design and web-architected features, is an attractive alternative for companies looking to offshore their business processes. Advanced features such as blue-printing minimize risk and variations and ensure better predictability. Change management is easier, thanks to the model-based approach to building components.

The various offerings of your company have been streamlined into seven Solution Centers that include Manufacturing, Aviation, Healthcare & e-Governance, Human Resource Management Solutions, Financial Services, Logistics and Corporate Performance Management. This helps in enhancing functional depth and providing a dedicated and superior customer service.

Sectors that show promise to our offerings include Government, Manufacturing, Aviation, Banking, Financial Services, Logistics and Services.

Successes – A snapshot

Your company has done multiple projects in India for a leading global American financial services group. Some of the projects include Mutual Fund Sweep System, Reconciliation System, EasyPay Vendor System, and Nostro Accounting System among others.

We have developed a Computer Aided Tests and Inspection (CATI) application which is used by a leading global medical systems manufacturer. In the customer's words, "Ramcoites respond on-time, are committed, have tenacity and work with a sense of purpose. They possess the necessary caliber and experience and have the ability to quickly ramp-up and be productive. Also notable is the sterling co-ordination ability and excellent off-shore management skills. The speed of response to critical issues is remarkable and they deliver on the promises".

Ramco is currently deploying one of its biggest order wins – Ramco Aviation solution at Petroleum Helicopters Inc. (PHI) for the maintenance, engineering and materials functions. We are also developing an electronic flight bag system that will complement Ramco's Aviation solution. Other important wins in the aviation space include RUAG Aerospace (Switzerland) & Conair (Canada).

Ramco has won its first order to engage the Ramco VirtualWorks platform for developing solutions from a South African municipality. The engagement is the first of its kind for Ramco and is expected to be long term and mutually rewarding.

Ramco DecisionWorks, Ramco's holistic Corporate Performance Management Solution has won several important orders during the year. Some of the wins include Supply Chain analytics for ICI Uniqema, Moser Baer, Medical Latex (Malaysia), IP Rings, Maurice Lacroix (Switzerland), e-Governance CRM analytics for South West of England Regional Developmental Agency (UK), Manufacturing analytics for Tropical Cheese (USA), Maintenance analytics for Conair (Canada) among others. This solution center has inked a few partnerships in Europe and is in discussions with many more to grow aggressively in the coming year.

Ramco Systems Limited, India

Ramco's Process Optimization solution – Ramco Optima has been implemented outside India for the first time, at Pahang Cement Co., Malaysia. During the year, the solution has also successfully entered the Power and Fertilizer sectors.

The Secure Converged Networking Solutions business has won prestigious deals and moved into newer areas. For the first time, we have forayed into the Wireless Local-Area Network (WLAN) space with an order win from Denso, India. The division has successfully won several repeat orders - an indication of the trust and satisfaction reposed by our customers. Some of the repeat wins include Indian Bank, Sasken Communications, Bharat Electronics Ltd., South Indian Bank, Karnataka Bank and Havells India.

The division has also moved up the value chain with Information Security (IS) consulting service orders which includes Risk Assessment, Vulnerability Assessment, Security policy creation and audit review for certification readiness. Some of the wins include Tata Teleservices, Mascon Global, GNFC - IT division, Hutchison Essar and Ranbaxy.

Securing your assets

Knowledge and Information is the core asset of any business, especially for an IP oriented company like ours. We have initiated steps to protect our investments in Intellectual Property with the filing of 46 provisional patent applications in the United States Patent and Trademark office.

We have invested in a dedicated data center at the R&D center in Chennai which hosts state-of-art servers with high speed Networking, Automated Tape Library System and WAN connectivity to other offices. Physical and logical access to the data center is highly secured and is manned on a 24x7 basis.

These measures ensure high productivity and security. Data back-ups are done periodically and stored at two physically different and distant locations to meet any exigencies.

Quality Initiatives

During the year, your company has been certified as an ISO 9001:2000 Quality standards organization by KPMG. The earlier Certification was based on 1994 Standards. The certification covers the design, development and support of Ramco Enterprise Applications suite of products for the global market.

KPMG has also assessed Ramco Systems at Level 4 of the coveted SEI-CMM. The scope of assessment includes "Projects covering full life-cycle application development and product development in domains like B2B e-Commerce, Manufacturing, SCM, e-Governance, Work Flow solutions, Business Decision Work Bench, Costing, and Healthcare". The company is working towards achieving SEI CMMI Level 5 for all solution centers in the next fiscal .

The "Letter to Shareholders" and "Corporate Themes" provided in this report do not contain sufficient information to allow full understanding of the results or the state of affairs of the company. The Ramco Systems management cautions investors that these reports are provided only as additional information to our investors. Using such reports for predicting the future of Ramco Systems is risky. The Ramco Systems management is not responsible for any direct, indirect or consequential losses suffered by any person using these reports.

AUDITOR'S REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED

1. We have audited the attached balance sheet of Ramco Systems Limited, as at 31st March 2004, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Board of Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of balance sheet, of the state of affairs of the company as at 31st March, 2004;
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **CNGSN & Associates**
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner
Membership Number : 011205

ANNEXURE TO AUDITOR'S REPORT

Re: RAMCO SYSTEMS LIMITED

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Most of the assets have been physically verified by the management during the year. The company has a phased programme of verification which in our opinion is reasonable having regard to the size of the company. No material discrepancies have been noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion the frequency of the verification may be increased.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. No material discrepancies were noticed at the time of physical verification.
- (iii) The Company has not given loans to any companies in Section 301 but has taken loan from one company mentioned in Section 301 register. The maximum amount during the year was Rs.330,000,000/- and the year end balance is Rs.53,000,000/-. In our opinion rates of interest and other terms and conditions are not prejudicial to the interest of the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) The company has transactions with Section 301 companies. The transactions have been entered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The company does not come under Section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee state insurance, income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31st March 2004 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are disputed statutory dues, aggregating to Rs. 1,756.13 lacs that have not been deposited on account of matters pending before appropriate authorities, which are as under:

Name of the Statute	Nature of dues	Forum where dispute is pending	Rs.in lacs
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals), Madurai	1,756.13

- (x) In our opinion, the accumulated losses of the Company are not more than 50% of its net worth. The Company has incurred cash losses during the financial year covered by our audit and immediately preceding the financial year.
- (xi) In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or nidhi/mutual benefit fund/society. Therefore the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) According to the information and explanation given to us the company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us during the period covered by our audit report, the company has issued 25 number of unsecured debentures of Rs.1 crore each.
- (xx) We have verified the end use of money raised by the Rights Issue as disclosed in the notes to the financial statements.
- (xxi) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **CNGSN & Associates**
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner
Membership Number : 011205

Ramco Systems Limited, India

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	I	115,965,830	77,680,720
b) Reserves & Surplus	II	3,110,374,644	2,407,784,020
		<u>3,226,340,474</u>	<u>2,485,464,740</u>
2. Loan Funds			
a) Secured	III	327,374,008	356,280,248
b) Unsecured	IV	880,550,000	620,550,000
		<u>1,207,924,008</u>	<u>976,830,248</u>
TOTAL		<u>4,434,264,482</u>	<u>3,462,294,988</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	V	1,958,543,964	1,333,735,947
Less : Depreciation		479,517,554	378,837,463
Net Block		<u>1,479,026,410</u>	<u>954,898,484</u>
Capital Work in progress		85,630,187	-
2. Investments	VI	834,409,958	794,409,257
3. Current Assets, Loans & Advances			
a) Inventories	VII	23,641,927	43,698,270
b) Sundry Debtors	VIII	925,616,399	852,600,158
c) Cash & Bank Balances	IX	125,050,713	99,442,568
d) Loans & Advances	X	568,853,124	200,115,059
e) Other Current Assets	XI	18,241,427	14,174,640
		<u>1,661,403,590</u>	<u>1,210,030,695</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	XII	313,372,889	311,645,989
b) Provisions	XIII	927,166	927,166
		<u>314,300,055</u>	<u>312,573,155</u>
Net Current Assets		<u>1,347,103,535</u>	<u>897,457,540</u>
4. Miscellaneous Expenditure (to the extent not written off / adjusted)	XIV	-	460,109,507
5. Profit & Loss account	XV	688,094,392	355,420,200
TOTAL		<u>4,434,264,482</u>	<u>3,462,294,988</u>
Significant Accounting Policies and Notes to accounts Schedules, Accounting Policies and Notes form an integral part of the accounts	XXII		

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

Place : Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 Rs.
INCOME			
Sales	XVI	823,093,428	810,249,587
Other Income	XVII	36,087,180	39,585,259
		<u>859,180,608</u>	<u>849,834,846</u>
EXPENDITURE			
Cost of Resale Material		253,222,372	365,145,576
Employee Compensation & Benefits	XVIII	341,556,606	351,508,681
Sales & Marketing Expenses	XIX	70,511,482	25,869,999
Administrative & Other Expenses	XX	248,428,137	168,161,702
		<u>913,718,597</u>	<u>910,685,958</u>
Profit / (Loss) before Interest, Depreciation, Amortisation & Tax		(54,537,989)	(60,851,112)
Interest & Finance Charges	XXI		
- For R&D activities		31,697,769	11,396,000
- For Others		87,811,261	57,521,411
Profit / (Loss) before Depreciation, Amortisation & Tax		(174,047,019)	(129,768,523)
Depreciation - on Technology Platform		48,535,000	48,535,000
- on other fixed assets		53,292,173	56,032,276
Profit / (Loss) before Amortisation & Tax		(275,874,192)	(234,335,799)
Amortisation of Product Research and Development Expenditure		56,800,000	38,849,080
Profit / (Loss) before Tax		(332,674,192)	(273,184,879)
Provision for Taxation			
Current Taxation		-	-
Deferred Taxation (Refer Note no. 8)		-	-
Profit / (Loss) after Tax		(332,674,192)	(273,184,879)
PROFIT & LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2004			
Transferred from Profit & Loss Account		(332,674,192)	(273,184,879)
Add: Balance brought forward		(355,420,200)	(82,235,321)
Balance in Profit & Loss Account		<u>(688,094,392)</u>	<u>(355,420,200)</u>
Significant Accounting Policies and Notes to accounts Schedules, Accounting Policies and Notes form an integral part of the accounts	XXII		

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
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Vice Chairman, Managing Director & CEO

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

Place : Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, India

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
Schedule I		
Share Capital		
Authorised :		
15,000,000 equity Shares of Rs.10/- each	150,000,000	150,000,000
Issued Share Capital		
11,965,533 equity shares of Rs.10/- each	119,655,330	80,812,720
Subscribed Share Capital		
11,965,533 equity shares of Rs.10/- each	119,655,330	80,812,720
Paid up Capital		
11,617,533 (Previous year 7,733,272) Equity shares of Rs.10/- each fully paid up	116,175,330	
Add: Forfeited Shares	348,000	77,680,720
Less: Calls in arrears 111,500 shares @ Rs.5/- each	(557,500)	-
	115,965,830	77,680,720

Of the above

4,333,153 equity shares of face value Rs.10/- each have been allotted to the shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December 1999.

2,376,719 equity shares have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs. 10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash. The above allotment has been duly approved by the Shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.

**Schedule II
Reserves & Surplus**

	As at 31.03.2004 RS.	As at 31.03.2003 Rs.
Share Premium	3,120,967,144	
Less: Calls in arrears 111,500 shares @ Rs.95/- each	(10,592,500)	
	3,110,374,644	2,407,784,020
	3,110,374,644	2,407,784,020

**Schedule III
Secured Loans**

a) Bank Borrowings	245,356,426	269,691,250
b) Term Loan from		
Housing Development Finance Corporation Ltd.	11,995,598	15,712,046
Sundaram Housing Finance Ltd.	3,188,261	3,307,673
Banks / Financial Institutions	66,500,000	66,500,000
c) Hire Purchase Loans	333,723	1,069,279
(For security details, refer Note No.2)	327,374,008	356,280,248

**Schedule IV
Unsecured Loans**

From Banks - Short Term Loan	527,550,000	477,550,000
From Others	353,000,000	143,000,000
	880,550,000	620,550,000

Schedule V - Fixed Assets
Rs.

Asset Description	Gross Block				Depreciation Block				Net Block	
	As at 01.04.2003	Additions	Withdrawals	As at 31.03.2004	upto 01.04.2003	For the year	Withdrawals	up to 31.03.2004	As at 01.04.2003	As at 31.03.2004
Land	117,819,601	-	-	117,819,601	-	-	-	-	117,819,601	117,819,601
Building	165,632,153	27,763	-	165,659,916	34,699,124	5,532,887	-	40,232,011	130,933,029	125,427,905
Plant & Machinery										
- EDP	246,158,454	35,554,615	787,380	280,925,689	181,404,835	22,200,509	373,614	203,231,730	64,753,619	77,693,959
- Software	73,045,366	10,630,290	-	83,675,656	34,060,306	11,324,630	-	45,384,936	38,985,060	38,290,720
- Others	31,864,935	-	-	31,864,935	12,234,605	1,524,249	-	13,758,854	19,630,330	18,106,081
Technology Platform	485,350,000	-	-	485,350,000	48,535,000	48,535,000	-	97,070,000	436,815,000	388,280,000
Product Software	-	577,720,026	-	577,720,026	-	-	-	-	-	577,720,026
Furniture										
- Furniture	94,713,381	1,513,143	383,171	95,843,353	33,148,239	5,791,707	89,428	38,850,518	61,565,142	56,992,835
- Office Equipments	17,562,590	-	-	17,562,590	5,274,049	811,197	-	6,085,246	12,288,541	11,477,344
Electrical Items	96,053,521	2,916,197	1,675,766	97,293,952	28,014,024	5,638,730	403,906	33,248,848	68,039,497	64,045,104
Vehicles	5,535,946	-	707,700	4,828,246	1,467,281	468,264	280,134	1,655,411	4,068,665	3,172,835
Total	1,333,735,947	628,362,034	3,554,017	1,958,543,964	378,837,463	101,827,173	1,147,082	479,517,554	954,898,484	1,479,026,410
Previous Year	1,313,809,260	53,955,067	34,028,380	1,333,735,947	305,226,311	104,567,276	30,956,124	378,837,463	1,008,582,949	954,898,484

Note : 1. For Policy on Fixed Asset and Depreciation refer significant accounting policy no. III

2. Gross Block includes assets acquired under Hire purchase Rs.2,060,300/- (Previous year Rs.2,768,000/-)

As at	As at
31.03.2004	31.03.2003
Rs.	Rs.

**Schedule VI
Investments**

1. Investments in Subsidiaries (Trade - Unquoted):		
121,135,800 Shares in Ramco Systems Corporation, USA of face value of USD 0.10 each	429,401,894	429,401,894
9,600 Shares in Ramco Systems Ltd.,Switzerland of face value of CHF 1,000 each	288,671,649	288,671,649
725,000 Shares in Ramco Systems Pte. Ltd., Singapore of face value of SGD 1 each	18,616,100	18,616,100
1,280,000 Shares in Ramco Systems SDN. BHD., Malaysia of face value of RM 1 each	18,217,054	18,217,054
100 shares in RSL Enterprise Solutions (Pty) Ltd., South Africa of face value of Rand 1 each	701	-
2. Investments in others (Trade - Unquoted):		
253 shares in Triamun AG, of face value of CHF 1 each	39,502,560	39,502,560
3. Investments in Mutual Funds - Short Term (Non trade-unquoted) (3,963,771 units purchased under Sundaram Money Fund Plan)	40,000,000	-
	834,409,958	794,409,257

Ramco Systems Limited, India

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
Schedule VII		
Inventories		
Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)	<u>23,641,927</u>	<u>43,698,270</u>
Schedule VIII		
Sundry Debtors		
(Unsecured, Considered Good)		
a) Debts Outstanding for period exceeding six months		
(i) From Subsidiaries	570,876,725	501,448,488
(ii) Others	48,468,234	83,006,067
b) Other debts		
(i) From Subsidiaries	143,036,904	95,415,414
(ii) Others	163,234,536	172,730,189
(Unsecured, Considered doubtful)		
Debts - (out of (a) (ii) above)	2,893,073	-
Less: Provision for doubtful debts	<u>(2,893,073)</u>	<u>-</u>
	<u>925,616,399</u>	<u>852,600,158</u>
Schedule IX		
Cash and Bank Balances		
Cash on hand	1,274,923	297,134
Balances with Scheduled Banks in		
a) Current Accounts	53,775,790	26,999,537
b) Deposit Accounts	<u>70,000,000</u>	<u>72,145,897</u>
	<u>125,050,713</u>	<u>99,442,568</u>
Schedule X		
Loans and Advances		
(Unsecured, Considered Good)		
Advance recoverable in Cash or kind or value to be received		
From Subsidiaries	484,096,136	124,536,954
Others	35,768,447	36,476,408
Tax deducted at Source	33,774,090	28,354,545
Deposits with Government Departments and Others	15,214,451	10,747,152
(Unsecured, Considered doubtful)		
Advance recoverable in Cash or kind or value to be received		
From Others	567,211	567,211
Less: Provision for doubtful advances	<u>(567,211)</u>	<u>(567,211)</u>
	<u>568,853,124</u>	<u>200,115,059</u>
Schedule XI		
Other Current Assets		
Prepaid expenses	17,778,404	13,968,209
Interest Accrued	463,023	206,431
	<u>18,241,427</u>	<u>14,174,640</u>
Schedule XII		
Current Liabilities		
For Purchases	99,436,221	148,555,487
For Expenses		
To subsidiaries	86,789,185	84,836,117
Others	<u>127,147,483</u>	<u>78,254,385</u>
	<u>313,372,889</u>	<u>311,645,989</u>
Schedule XIII		
Provisions		
Provision for Taxation	<u>927,166</u>	<u>927,166</u>
Schedule XIV		
Miscellaneous Expenditure		
Product Research and Development Expenditure to the extent not amortised (Refer Note No. 9)	-	437,712,234
Deferred Revenue Expenses	<u>-</u>	<u>22,397,273</u>
	<u>-</u>	<u>460,109,507</u>
Schedule XV		
Profit & Loss Account		
Balance brought forward from Profit & Loss Appropriation Account	<u>688,094,392</u>	<u>355,420,200</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 Rs.
Schedule XVI		
Sales		
Software Revenues (Licensing & Services)	434,929,734	332,726,247
Value Added Resale Software & Hardware Materials	314,964,264	425,405,990
Royalty	73,199,430	52,117,350
	<u>823,093,428</u>	<u>810,249,587</u>
Schedule XVII		
Other Income		
Interest Received (TDS Rs.30,662/-)(Previous year Rs.32,071/-)	24,514,646	10,106,970
Profit on sale of assets	1,470	106,648
Foreign Exchange Fluctuation	-	20,049,285
Rent Income	11,033,968	9,322,356
Dividend from Mutual Fund Units	357,785	-
Miscellaneous Income	179,311	-
	<u>36,087,180</u>	<u>39,585,259</u>
Schedule XVIII		
Employee Compensation & Benefits		
Salaries, Bonus etc.,	288,826,279	291,495,302
Gratuity & Superannuation Fund Contributions	14,037,168	21,135,682
Provident Fund Contributions	16,021,057	15,972,584
Staff Welfare	22,672,102	22,905,113
	<u>341,556,606</u>	<u>351,508,681</u>
Schedule XIX		
Sales & Marketing Expenses		
Advertisement & Sales Promotion	69,488,433	24,688,277
Handling, Packing & Forwarding	1,023,049	1,181,722
	<u>70,511,482</u>	<u>25,869,999</u>
Schedule XX		
Administrative & Other Expenses		
Consultancy Charges	13,783,273	13,404,086
Bank Charges	2,199,488	5,481,908
Insurance	1,942,762	1,441,639
Loss on sale of fixed assets	1,127,977	762,154
Communication Expenses	18,383,278	14,768,626
Power & Fuel	12,469,156	11,543,146
Printing & Stationery	3,270,384	2,847,710
Rates & Taxes	4,798,201	3,782,225
Rent	39,017,506	41,363,306
Repairs - Buildings	1,096,587	165,188
Repairs - Plant & Machinery	7,099,848	5,278,955
Repairs - Others	3,968,481	3,800,365
Travel & Conveyance	43,302,613	46,702,883
Stock Write off	18,916,915	-
Bad and Doubtful Debts	18,040,944	5,120,443
Provision for Doubtful Debts	2,893,073	-
Provision for Doubtful Advances	-	567,211
Foreign Exchange Fluctuation	43,472,368	-
Miscellaneous Expenses	12,645,283	11,131,857
	<u>248,428,137</u>	<u>168,161,702</u>
Schedule XXI		
Interest & Finance Charges		
Interest on loans taken for R&D activities	31,697,769	11,396,000
Interest for others		
Fixed Loans	1,503,062	2,460,990
Hire Purchase & Finance Charges	4,249,564	2,426,941
Others	82,058,635	52,633,480
	<u>87,811,261</u>	<u>57,521,411</u>
	<u>119,509,030</u>	<u>68,917,411</u>

Schedule XXII

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

I. Basis of Preparation

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and materially comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

II. Revenue Recognition

A. Software and related services

i) License Fees

License Fee revenue is recognized on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

In case of milestone contracts, revenue is recognised upon achievement of the milestones as per the terms of the contract.

In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B. Value Added Resale Hardware & software

Revenue from sales is recognised upon despatch of goods to customers.

C. E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

D. Other Income

Interest on bank deposits is recognised on accrual basis.

III. Fixed Assets and Depreciation

A. Tangible Assets

Fixed Assets are capitalised at historical cost and includes freight, installation cost, finance cost, taxes and duties and other incidental expenses incurred during the installation stage.

Depreciation is charged on a pro-rata basis on the Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

Individual assets not exceeding Rs.5,000/- are depreciated in full in the year of purchase.

Assets acquired on Hire Purchase are capitalised at the gross value and interest thereon charged to Profit & Loss A/c.

In respect of Assets leased prior to 01.04.2001, the lease rentals paid during the year are charged to Profit & Loss A/c. In respect of assets leased on or after 01.04.2001, the accounting treatment prescribed by Accounting Standard 19 on "Leases" is followed.

B. Intangible Assets

Costs incurred in the development of ERP product, together with repository of new business components, upon completion of the development phase, have been classified and grouped as "Product Software" under Fixed Assets.

Similarly, costs incurred in the development of technology platform framework, which would enable the company to provide solutions - both standard and customised – in an efficient manner, have been classified and grouped as “Technology Platform” under Fixed Assets, once the same is available for use.

The useful life of these assets is estimated as ten years and depreciation is charged accordingly.

IV. Investments

Long term investments are stated at cost and short term investments are valued at lower of cost and net realisable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

V. Inventories

Inventories are valued at lower of cost and net realisable value. Cost includes cost incurred in bringing the inventories to their present location and condition and is determined based on FIFO method.

VI. Foreign Currency Transactions

The functional currency of the Company is Indian Rupee.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency at the year end are translated at the exchange rates prevailing on the date of the balance sheet or wherever forward contracts are booked, at the respective rates as per such forward contracts and the loss or gain arising out of such transactions is adjusted in the Profit & Loss A/c. Exchange difference in respect of foreign currency liabilities incurred for acquiring fixed assets is added to the cost of respective fixed assets.

VII. Translation of Financial Statements of Foreign Branch

All income and expenditure transactions during the year are reported at a monthly moving average exchange rate for the respective periods. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction and the balance in ‘head office account’ whether debit or credit, is reported at the amount of the balance in the ‘branch account’ in the books of the head office, after adjusting for unresponded transactions. Net gain / loss on foreign currency translation is recognised in the Profit & Loss A/c.

VIII. Retirement Benefits

Gratuity

In accordance with the Indian law, the company provides for gratuity, a defined benefit retirement plan (“The Gratuity Plan”), covering all employees. These employees are covered under the Group Gratuity Scheme of the LIC. The Gratuity, is charged to Profit & Loss A/c on the basis of year’s premium, computed by Life Insurance Corporation of India.

Superannuation

Apart from being covered under the Gratuity Plan described above, the senior officers of the Company are participants in a defined contribution benefit plan maintained by the Life Insurance Corporation of India. The plan is termed as superannuation plan to which the company makes contributions based on a specified percentage of each covered employee’s salary. The Company has no further obligations under the plan beyond its contributions.

Provident Fund

In addition to the above benefits, all employees receive benefits from a Provident fund, which is a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12 % of the covered employee’s basic salary. These contributions are made to the employees’ provident fund maintained by the Government of India. The Company has no further obligations under the plan beyond its monthly contributions.

Leave Encashment

Leave encashment liability ascertained by actuarial valuation is provided in the books of accounts.

IX. Earnings per share

Profit after tax is adjusted for prior period adjustments and divided by the number of equity shares outstanding as on the Balance Sheet date.

NOTES ON ACCOUNTS

1. Contingent Liabilities

(Rs. in lacs)

	As at 31.03.2004	As at 31.03.2003
(a) Estimated amount of contracts remaining to be executed on capital account	129.17	153.27
(b) Bank Guarantees	551.67	537.64
(c) Letters of Credit	593.83	76.64
(d) Octroi Liability	29.02	26.52
(e) Income Tax Liability (Disputed – Pending before the First Appellate Authority)	1,756.13	924.92

2. Secured Loans

Borrowings from the banks for working capital amounting to Rs.940.00 lacs (Previous year Rs.1,838.28 lacs) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance borrowings from the banks for working capital amounting to Rs.1,513.56 lacs (Previous year Rs.858.63 lacs) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Ltd., represent a Line of Credit to the Company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees .

Borrowings from HDFC Bank Limited (under Banks / FIs) amounting to Rs.665 lacs (Previous year Rs.665 lacs) are secured by an exclusive charge on the Land at Santhome, Chennai.

Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.8,805.50 lacs (previous year Rs.6,205.50 lacs), Rs.7,775.50 lacs (previous year Rs.4,775.50 lacs) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.500.00 lacs (previous year Nil) are supported by a Corporate Guarantee from Ramco Industries Limited.

3. Current Liabilities

There are no outstandings exceeding a sum of Rs.1 lac to Small Scale Industrial undertakings, for more than 30 days.

4. Additional information as required by Schedule VI of the Companies Act, 1956

(Rs. in lacs)

	Year ended 31.03.2004	Year ended 31.03.2003		
A) Sales				
a) Ramco e.Applications and other Software & Services	4,453.45	3,438.75		
b) Enterprise Networking Solutions	3,777.48	4,663.75		
B) CIF Value of Imports				
Raw Materials, Spare Parts & Capital Goods	2,324.28	3,197.73		
C) Expenditure in Foreign Currency on account of				
Traveling and other matters	566.28	612.96		
D) Number of Non-resident shareholders	42	27		
E) Value of consumption of imported and indigenous raw materials and spare parts				
	Value	%	Value	%
Raw Materials	(Rs. in lacs)		(Rs. in lacs)	
Imported	2,179.68	86.08%	2,888.79	79.11%
Indigenous	352.54	13.92%	762.66	20.89%
F) Earnings in Foreign Exchange on export of goods (F.O.B. basis)	3,022.80		2,181.09	

5. Fees paid to Statutory Auditors (included in consultancy charges)		(Rs. in lacs)
	Year ended 31.03.2004	Year ended 31.03.2003
(a) Statutory Audit	4.86	4.86
(b) Tax Audit	0.97	0.95

6. Managerial Remuneration

Computation of Profits as per Sec. 349 of the Companies Act, 1956 for remuneration to Vice Chairman and Managing Director for the year ended 31.03.2004.

		Rs.
Loss as per P&L account		(332,674,192)
Add: Directors Sitting Fees	227,500	
Vice Chairman & Managing Director's Remuneration	<u>1,274,400</u>	
		<u>1,501,900</u>
Loss arrived for the purpose of Managerial Remuneration		<u>(331,172,292)</u>
3% of the above – Rs. Nil		

The Company's Vice-Chairman & Managing Director is also the Vice-Chairman & Managing Director of Ramco Industries Limited. As per the provisions of the Companies Act, 1956 read with Schedule XIII the total remuneration payable should not exceed maximum limit admissible from any one of the Companies of which he is the Managing Director. He has been paid a remuneration of Rs.1,274,400/- for the year (Previous Year Rs.1,274,400/-) from the Company as per the terms of appointment by way of monthly remuneration. This remuneration has been adjusted in the overall maximum remuneration of Rs.11,796,999/- (Previous Year Rs.7,605,495/-) payable by Ramco Industries Limited at 3% of its net profits computed in accordance with the provisions of the said Act.

7. Taxation

No provision for current tax for the Company (including its Branches at United Kingdom and Germany) has been made in view of absence of taxable profits.

8. Deferred Tax

In the perception of the Company, the provisioning for deferred tax asset / liability does not arise.

9. Research and Development

A separate Profit and Loss Account, Balance Sheet and Schedules in respect of the Research & Development Activities is enclosed.

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into "Product Software" and "Technology Platform". The activities during the year are shown below:

	(Rs. in lacs)
Product Research & Development Expenses not written off as on 31.03.2003	4,377.12
Add: Further research and development expenditure incurred and capitalised during the year	2,824.38
Less: Amortisation during the year	(568.00)
Less: Work in progress relating to Technology Platform	(856.30)
Balance, transferred to "Product Software" under fixed Assets on 31.03.2004	5,777.20

10. Sundry Debtors

Sundry Debtors include dues from Overseas subsidiaries as given below:

Subsidiary	Outstanding as on 31.03.2004	Maximum amount due During the year
Ramco Systems Corporation, USA	Rs.3,473.08 lacs (Previous year Rs.3,269.70 lacs)	Rs.6,854.02 lacs (Previous year Rs.3,269.70 lacs)
Ramco Systems Limited, Switzerland	Rs.2,958.57 lacs (Previous year Rs.2,210.90 lacs)	Rs.2,958.57 lacs (Previous year Rs.2,210.90 lacs)
Ramco Systems Sdn., Bhd., Malaysia	Rs.8.85 lacs (Previous year Rs. 93.70 lacs)	Rs.77.45 lacs (Previous year Rs. 93.70 lacs)
Ramco Systems Pte Ltd., Singapore	Rs.523.83 lacs (Previous year Rs.394.34 lacs)	Rs.523.83 lacs (Previous year Rs.394.34 lacs)
RSL Enterprise Solutions (Pty.) Ltd., South Africa	Rs.174.81 lacs (Previous year NA)	Rs.174.81 lacs (Previous year NA)

11. Loans & Advances – Advances recoverable in cash or in kind or value to be received

Advances recoverable from subsidiaries comprise of the loans advanced to the following subsidiaries:

(Rs. in lacs)

Subsidiary	Outstanding as on 31.03.2004	Outstanding as on 31.03.2003
Ramco Systems Corporation, USA	3,380.94	895.08
Ramco Systems Limited, Switzerland	1,443.39	350.29
RSL Enterprise Solutions (Pty) Ltd., South Africa	16.63	-
Total	4,840.96	1,245.37

12. Debts due from subsidiaries totaling to Rs.7,139.14 lacs appearing under "Schedule VIII - Sundry Debtors" and Advances due from subsidiaries amounting to Rs.4,840.96 lacs appearing under "Schedule X – Loans & Advances" – both totaling to Rs.11,980.10 lacs - include subordinated dues of Rs.10,418.00 lacs.

13. Equity and Share Premium

a) Rights Issue

During the year, in November 2003, the Company came out with an issue of 3,872,511 equity shares of Rs.10/- each, at a price of Rs.200/- per equity share (including a premium of Rs.190/- per equity share), on Rights basis to the existing equity shareholders in the ratio of one equity share for every two equity shares held, amounting to Rs.7,745.02 lacs. The first and final call of Rs.100/- per equity share was also made as of 31st March 2004. Calls are in arrears from members holding 111,500 shares as on 31st March 2004.

b) Utilisation of Rights Issue proceeds:

The total funds required and means of finance as projected by the company for the Financial Year 2003-04 in the Letter of Offer dated 30th October 2003 was Rs.11,230 lacs. The actuals as compared to the projections are as detailed below:

Particulars	Projection as per Letter of Offer	Actuals (Rs. in lacs)
Requirement of Funds		
Working Capital	6,670.00	3,948.46
Research & Development	2,350.00	3,255.89
Marketing Development	1,410.00	481.14
Capital Expenditure	600.00	506.42
Issue Expenses	200.00	254.61
	<u>11,230.00</u>	<u>8,446.52</u>
Means of Finance		
Rights Issue Proceeds	7,745.00	5,383.52 *
Term Loans / Short Term Loans / Working Capital Loans	3,485.00	3,063.00
	<u>11,230.00</u>	<u>8,446.52</u>

* Net of Rs. 2,250 lacs available with the Company and which have been used to reduce borrowings as on 31st March, 2004.

c) Employee Stock Option Plan 2000 (ESOP 2000):

Pursuant to the Company's Employee Stock Option Plan 2000, as at the end of the year, employees holding 11,750 Options exercised their right at a price of Rs.254/- per equity share (including a premium of Rs.244/- per equity share).

d) Increase in share capital and premium is given below:

(Rs. in lacs)

Increase on account of	Increase in share capital	Increase in share premium
Rights Issue	381.68	7,251.85
Exercise of options under ESOP 2000 Scheme	1.18	28.67
Total	<u>382.86</u>	<u>7,280.52</u>
Less: Rights Issue Expenses adjusted	-	(254.61)
Net increase	<u>382.86</u>	<u>7,025.91</u>

14. Earnings per share (EPS)

		For the year ended 31.03.2004	For the year ended 31.03.2003
Profit / (Loss) after tax (Rs.)	(A)	(332,674,192)	(273,184,879)
Weighted average Equity Shares outstanding	(B)	8,674,268	7,733,272
EPS - Basic & diluted (Rs.) (per share of Rs.10/- each)	(A/B)	(38.35)	(35.33)

15. The Company's shares are listed on Madras Stock Exchange Limited, The Stock Exchange, Mumbai and the National Stock Exchange of India Limited. The Listing Fees for the financial year 2003-2004 has been paid.
16. The Company has branches in United Kingdom and Germany. The United Kingdom branch has made a turnover of Rs.346.42 lacs for the year ended 31st March 2004 (previous year Rs.439.01 lacs) and the Germany branch has made a turnover of Rs.24.21 lacs for the year ended 31st March 2004 (previous year Rs. Nil).
17. Amounts recovered from Subsidiaries towards expenses incurred on account of on-site employees to the extent of Rs.332.20 lacs (Previous year Rs.431.08 lacs) have been netted of from expenses.

18. Related Party Transactions:

As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

a. Subsidiary Companies ("Subsidiaries"):

1. Ramco Systems Corporation, USA
2. Ramco Systems Ltd., Switzerland
3. Ramco Systems Pte Ltd., Singapore
4. Ramco Systems Sdn Bhd., Malaysia
5. RSL Enterprise Solutions (Pty) Ltd., South Africa

b. Key Management Personnel and Relatives ("KMP"):

- Shri. P.R. Ramasubrahmaneya Rajha
Shri. P.R. Venketrama Raja

c. Enterprises over which the above persons exercise significant influence and with which the company has transactions during the year ("Group"):

- Rajapalayam Mills Ltd.
Madras Cements Ltd.
Ramco Industries Ltd.
The Ramaraju Surgical Cotton Mills Ltd.

The Company's transactions with the above Related Parties are given below:

		Rs.		
Current Year				
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	194,943,385	-	-
	Outstanding as on 31.03.04	390,049,759	-	-
Sale of goods & services	Transaction during the year	-	20,228,039	-
	Outstanding as on 31.03.04	-	3,703,214	-
Royalty	Transaction during the year	73,199,430	-	-
	Outstanding as on 31.03.04	323,863,866	-	-
Purchase of Assets	Transaction during the year	-	-	-
	Outstanding as on 31.03.04	-	-	-
Sale of Assets	Transaction during the year	-	-	-
	Outstanding as on 31.03.04	-	-	-
Cost of services availed	Transaction during the year	3,725,229	-	-
	Outstanding as on 31.03.04	47,286,624	-	-
Loan availed	Transaction during the year	-	330,000,000	-
	Outstanding as on 31.03.04 (including interest due)	-	66,889,341	-
Loans given	Transaction during the year	356,024,553	-	-
	Outstanding as on 31.03.04 (including interest due)	484,096,137	1,400,500	-
Investments	Transaction during the year	701	-	-
	Outstanding as on 31.03.04	39,502,560	-	-
Interest	Expenses	-	9,647,384	-
	Income	20,943,422	-	-

Ramco Systems Limited, India

Previous Year				Rs.
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	146,107,505	-	-
	Outstanding as on 31.03.03	313,817,221	-	-
Sale of goods & services	Transaction during the year	-	7,269,970	-
	Outstanding as on 31.03.03	-	153,451	-
Royalty	Transaction during the year	52,117,350	-	-
	Outstanding as on 31.03.03	283,046,681	-	-
Purchase of Assets	Transaction during the year	-	-	-
	Outstanding as on 31.03.03	-	-	-
Sale of Assets	Transaction during the year	-	-	-
	Outstanding as on 31.03.03	-	-	-
Cost of services availed	Transaction during the year	6,291,544	-	-
	Outstanding as on 31.03.03	45,333,557	-	-
Loan availed	Transaction during the year	-	113,000,000	-
	Outstanding as on 31.03.03 (including interest due)	-	99,455,944	-
Loans given	Transaction during the year	40,944,912	-	-
	Outstanding as on 31.03.03 (including interest due)	124,536,954	1,405,322	-
Investments	Transaction during the year	39,502,560	-	-
	Outstanding as on 31.03.03	39,502,560	-	-
Interest	Expenses	-	8,270,986	-
	Income	5,141,003	-	-

Details of remuneration paid to Shri. P.R. Venketrama Raja are furnished in Note No.6 above.

Details of corporate guarantee given by the Group are given in Note no. 2 above.

19. Segmental Revenue

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the company has determined its primary operating segments as:

Product Software and Related Services: Engaged in the development, licensing, implementation and maintenance of software solutions.

Other software services: Engaged in providing professional services and implementing projects; and

Network Solutions: Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization. The company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

India and Middle East region, consisting of India, the Middle East and Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines and other countries in the region.

Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.

America, mainly consisting of North and South America and rest of the world.

The revenues and results of each of the primary segments and the revenues from the geographies are given below:

Segment Revenue – Primary Segments

(Rs. in lacs)

Sl. No.	Particulars	For the year ended 31.03.2004	For the year ended 31.03.2003
1	Segment Revenue		
	a. Product Software and Related Services	3,019.33	1,841.81
	b. Other Software Services	1,434.12	1,596.93
	c. Network Solutions	3,777.48	4,663.76
	Total Revenue	8,230.93	8,102.50
	Less: Inter Segment Revenue	-	-
	Net Sales / Income from Operations	8,230.93	8,102.50
2	Segment Profit / (Loss) before tax and interest		
	a. Product Software and Related Services	668.01	15.68
	b. Other Software Services	34.49	(111.32)
	c. Network Solutions	75.54	349.59
	Total	778.04	253.95
	Less: Interest	1,195.09	689.18
	Less: Other unallocable expenditure net of unallocable income	2,909.69	2,296.62
3	Profit / (Loss) before Tax	(3,326.74)	(2,731.85)

Segment Revenue – Secondary Segments

(Rs. in lacs)

For the Year Ended 31.03.2004

Particulars	India & Middle East	Asean	Europe	America	Total
Segment Revenue					
a. Product Software and Related Services	1,299.95	434.40	386.11	898.88	3,019.34
b. Other Software Services	683.80	48.10	673.94	28.27	1,434.11
c. Network Solutions	3,667.87	109.61	-	-	3,777.48
Total Revenue	5,651.62	592.11	1,060.05	927.15	8,230.93
Less: Inter Segment Revenue	-	-	-	-	-
Net Sales / Income from Operations	5,651.62	592.11	1,060.05	927.15	8,230.93

Segment Revenue – Secondary Segments

(Rs. in lacs)

For the Year Ended 31.03.2003

Particulars	India & Middle East	Asean	Europe	America	Total
Segment Revenue					
a. Product Software and Related Services	1,021.69	248.10	201.00	371.02	1,841.81
b. Other Software Services	442.81	284.41	770.93	98.78	1,596.93
c. Network Solutions	4,663.76	-	-	-	4,663.76
Total Revenue	6,128.26	532.51	971.93	469.80	8,102.50
Less: Inter Segment Revenue	-	-	-	-	-
Net Sales / Income from Operations	6,128.26	532.51	971.93	469.80	8,102.50

The company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) are used interchangeably among segments. Significant liabilities contracted are based on the company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

20. The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

Place : Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, India

RESEARCH AND DEVELOPMENT ACTIVITIES (REFER SL.NO.9 OF NOTES ON ACCOUNTS)

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at 31.03.2004	As at 31.03.2003
		Rs.	Rs.
I. SOURCES OF FUNDS			
1. Loan Funds			
a) Secured		-	-
b) Unsecured		491,700,000	247,900,000
		<u>491,700,000</u>	<u>247,900,000</u>
2. Head Office Contra Account		<u>1,208,673,188</u>	<u>1,120,978,732</u>
TOTAL		<u>1,700,373,188</u>	<u>1,368,878,732</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
	1		
Gross Block		1,592,698,906	1,005,908,496
Less : Depreciation		405,933,227	327,105,103
Net Block		<u>1,186,765,679</u>	<u>678,803,393</u>
Capital Work in progress		85,630,187	-
2. Current Assets, Loans & Advances			
Other Current Assets		<u>1,000,068</u>	-
		<u>1,000,068</u>	-
Less: Current Liabilities and Provisions			
Other Current Liabilities		<u>4,164,615</u>	-
		<u>4,164,615</u>	-
Net Current Assets		<u>(3,164,547)</u>	-
3. Product Research & Development Expenditure		-	437,712,233
(to the extent not written off / adjusted)			
4. Profit & Loss account		<u>431,141,869</u>	<u>252,363,106</u>
TOTAL		<u>1,700,373,188</u>	<u>1,368,878,732</u>

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R.RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

C.N.GANGADARAN
Partner

P.R.VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M.VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

RESEARCH AND DEVELOPMENT ACTIVITIES (REFER SL.NO.9 OF NOTES ON ACCOUNTS)**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004**

	Schedule	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
INCOME			
Sales		-	-
		-	-
EXPENDITURE			
Employee Compensation & Benefits	2	2,741,631	3,226,000
Administrative & Other Expenses	3	8,711,239	5,183,921
		<u>11,452,870</u>	<u>8,409,921</u>
Profit / (Loss) before Interest, Depreciation, Amortisation & Tax		(11,452,870)	(8,409,921)
Interest & Finance Charges	4	31,697,769	11,396,000
Profit / (Loss) before Depreciation, Amortisation & Tax		(43,150,639)	(19,805,921)
Depreciation - on Technology Platform		48,535,000	48,535,000
- on other fixed assets		30,293,124	33,543,914
Profit / (Loss) before Amortisation & Tax		(121,978,763)	(101,884,835)
Amortisation of Product Research and Development Expenditure		56,800,000	38,849,080
Profit / (Loss) before Tax		(178,778,763)	(140,733,915)
Provision for Taxation		-	-
Profit / (Loss) after Tax		(178,778,763)	(140,733,915)
PROFIT & LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004			
Transferred from Profit & Loss Account		(178,778,763)	(140,733,915)
Add : Balance brought forward		<u>(252,363,106)</u>	<u>(111,629,191)</u>
Balance in Profit & Loss Account		<u>(431,141,869)</u>	<u>(252,363,106)</u>

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R.RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

C.N.GANGADARAN
Partner

P.R.VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M.VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

RESEARCH AND DEVELOPMENT ACTIVITIES (REFER SL.NO.9 OF NOTES ON ACCOUNTS)

Schedule 1

Fixed Asset Schedule for R&D

Rs.

Asset Description	Gross Block				Depreciation Block				Net Block	
	As at 01.04.2003	Additions	Withdrawals	As at 31.03.2004	upto 01.04.2003	For the year	Withdrawals	up to 31.03.2004	As at 01.04.2003	As at 31.03.2004
Building	121,513,175	-	-	121,513,175	26,265,996	4,058,540	-	30,324,536	95,247,179	91,188,639
Plant & Machinery										
- EDP	224,140,781	8,160,083	-	232,300,864	172,653,133	19,131,849	-	191,784,982	51,487,648	40,515,882
- Software	37,212,525	202,100	-	37,414,625	21,547,009	5,953	-	21,552,962	15,665,516	15,861,663
- Others	3,531,073	-	-	3,531,073	2,319,809	189,229	-	2,509,038	1,211,264	1,022,035
Technology Platform	485,350,000	-	-	485,350,000	48,535,000	48,535,000	-	97,070,000	436,815,000	388,280,000
Product Software	-	577,720,026	-	577,720,026	-	-	-	-	-	577,720,026
Furniture										
- Furniture	53,678,226	690,394	-	54,368,620	22,515,510	3,379,228	-	25,894,738	31,162,716	28,473,882
- Office Equipments	7,146	-	-	7,146	3,787	339	-	4,126	3,359	3,020
Electrical Items	80,475,570	17,807	-	80,493,377	33,264,859	3,527,986	-	36,792,845	47,210,711	43,700,532
Total	1,005,908,496	586,790,410	-	1,592,698,906	327,105,103	78,828,124	-	405,933,227	678,803,393	1,186,765,679
Previous Year	990,474,535	15,433,961	-	1,005,908,496	245,026,189	82,078,914	-	327,105,103	745,448,346	678,803,393

For the year ended
31.03.2004
Rs.

For the year ended
31.03.2003
Rs.

Schedule 2

Employee compensation & benefits

Salaries, Bonus, Contributions etc.,

254,640,707

201,433,943

Staff welfare

2,741,631

3,226,000

Less: Product Research and Development Expenditure Capitalised

(254,640,707)

(201,433,943)

2,741,631

3,226,000

Schedule 3

Administrative and other expenses

Communication Expenses

8,335,621

4,624,069

Power & Fuel

13,881,297

13,079,238

Rent

13,915,974

11,051,970

Repairs - Plant & Machinery

-

12,292

Repairs - Others

-

12,947

Travel & Conveyance

118,069

231,207

Software purchased

-

6,982,500

Miscellaneous Expenses

257,549

303,406

Less: Product Research and Development Expenditure Capitalised

(27,797,271)

(31,113,708)

8,711,239

5,183,921

Schedule 4

Interest

Interest

31,697,769

11,396,000

Less: Product Research and Development Expenditure Capitalised

-

-

31,697,769

11,396,000

Ramco Systems Limited, India

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No: State Code
(Refer Code List)

Balance Sheet Date
Date Month Year

II CAPITAL RAISED DURING THE YEAR (Amount in Rs.Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

Others

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets Miscellaneous Expenditure

Profit and Loss Account

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover and Other income Total Expenditure

Loss before Tax Loss after Tax

Earnings/(Loss) Per Share in Rs. Dividend Rate %

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

Item Code No.(ITC Code)

Product Description

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA
N.K. SHRIKANTAN RAJA

C.N.GANGADARAN
Partner

P.R.VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M.VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO SUBSIDIARIES

1	Name of the Subsidiary Company	Ramco Systems Corporation, USA	Ramco Systems Limited, Switzerland	Ramco Systems Sdn. Bhd., Malaysia	Ramco Systems Pte. Ltd., Singapore	RSL Enterprise Solutions (Pty) Ltd.,South Africa
2	Financial Year end of the Subsidiary Company	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
3	No of shares held in the Subsidiary Company as on the above date	121,135,800 Equity Shares of USD 0.10 each	9,600 Equity Shares of CHF 1,000/- each	1,280,000 Equity Shares of RM 1/-each	725,000 Equity Shares of SGD 1/- each	100 Equity Shares of RAND 1/- each
4	Percentage of holding (Equity)	97%	100%	100%	100%	100%
5	Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil
6	The net aggregate of Profit (Losses) of the Subsidiary Company so far as they concern the members of the Company					
	a. Dealt with Accounts of the Company for the year ended 31 March 2004	Nil	Nil	Nil	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31 March 2004	USD175,503	CHF (4,570,660)	RM 1,408,055	SGD (964,218)	RAND (124,015)
7	The net aggregate of Profit (Losses) of the Subsidiary Company for the previous financial years since it became a subsidiary company so far as they concern the members of the Company					
	a. Dealt with Accounts of the Company for the year ended 31 March 2004	Nil	Nil	RM 512,000	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31 March 2004	USD (10,581,997)	CHF (4,215,456)	RM (448,618)	SGD(964,800)	Nil
8	Change in the interest of the Company between the end of the financial year of the Subsidiary Company and the Company's Financial year ended 31 March 2004	N A	N A	N A	N A	N A
9	Material changes between the end of the Financial Year of the Subsidiary Company and the Company's Financial year ended 31 March 2004	N A	N A	N A	N A	N A
	a. Fixed Assets					
	b. Investments					
	c. Money lent					
	d. Money borrowed other than those for meeting Current Liabilities					

As per our Report Annexed For **CNGSN & Associates** Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA
N.K. SHRIKANTAN RAJA

C.N.GANGADARAN
Partner

P.R.VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M.VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

RAMCO SYSTEMS CORPORATION, USA

(Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

Shri P.R. RAMASUBRAHMANEYA RAJHA

Shri P.R. VENKETRAMA RAJA

Shri S.R. SRIRAMA RAJA

Smt. NALINA RAMALAKSHMI

Shri K. RAMACHANDRAN

OFFICES

REGISTERED OFFICE

18510, Decatur Road

Monte Sereno

CA 95030

CORPORATE OFFICE

3150, Brunswick Pike

Crossroads Corporate Center

Lawrenceville

NJ 08648

BRANCH OFFICE

Lisle, Illinois

Santa Clara, California

AUDITORS

Messrs. CNGSN & ASSOCIATES

BANKERS

FLEET BANK

Ramco Systems Corporation, USA

DIRECTORS' REPORT TO THE MEMBERS

Your directors are pleased to present their report on the Company, its performance and the Audited accounts for the year ended March 31, 2004.

Particulars	(in millions)			
	March 31, 2004 (in US \$)	March 31, 2004 (in Rs.)	March 31, 2003 (in US \$)	March 31, 2003 (in Rs.)
Revenues	15.33	704.06	11.26	543.63
Expenditure				
Staff cost	10.40	477.65	8.20	395.94
Other Direct costs	1.19	54.58	1.11	53.66
Sales & Marketing Expenses	0.42	19.36	0.46	21.97
Administration & other expenses	2.69	123.64	3.50	168.91
Earnings before Interest, Depreciation & Tax	0.63	28.83	(2.01)	(96.85)
Interest	0.36	16.67	0.47	22.64
Depreciation	0.08	3.84	0.04	1.91
Profit/(Loss) before Tax	0.19	8.32	(2.52)	(121.40)
Tax Payments	-	-	-	-
Net Profit / (Loss)	0.19	8.32	(2.52)	(121.40)

OPERATIONS

Revenues of your Company registered USD 15.33 million as against USD 11.26 million in the previous year. Net Profit stands at USD 0.18 million as against USD 2.52 million of Net Loss in the previous year. Despite the prevailing trends the company managed to win some significant orders during the year.

DIVIDEND

No dividend is being recommended.

DIRECTORS

There has been no other change in the composition of the Board. Local laws do not require retirement by rotation.

AUDITORS

The auditors Messrs. CNGSN & Associates, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2A) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2004, that:

- the applicable accounting standards had been followed along with proper explanation relating to material departures, if any
- the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and the Profit of the Company for the period ended 31st March, 2004.
- proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2004

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2004.

(A) CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : Strict control was exercised over consumption of energy at all sections
- (b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy : -
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : -
- (d) Total energy consumption per unit of production of goods : -

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the US market only and as such the company is not engaged in any export activity.

(Rs. In Lacs)

- (D) 1) Total foreign exchange used : **1,219.27**
- 2) Total foreign exchange earned : NIL

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the Company

This company is supported by its holding company viz., Ramco Systems Ltd., India in Research & Development activities and hence there is no Technology Absorption.

2. Benefits derived as a result of the above R&D : -
3. Future plan of action : -
4. Expenditure on R&D : -

AUDITOR'S REPORT

TO THE MEMBERS OF RAMCO SYSTEMS CORPORATION, USA

- We have examined the attached Balance Sheet of Ramco Systems Corporation, USA as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
- These financial statements are the responsibility of the Ramco Systems Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts give a true and fair view,
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2004 and
 - in the case of Profit and Loss Account, of the Profit for the year ended 31st March 2004
- In our opinion, clauses of Companies Auditor's Report Order 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act 1956, are not applicable.

For **CNGSN & Associates**
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner

Ramco Systems Corporation, USA

BALANCE SHEET AS AT 31ST MARCH, 2004

	Sch	As at 31.03.2004 USD	As at 31.03.2004 Rs.	As at 31.03.2003 USD	As at 31.03.2003 Rs.
I. SOURCES OF FUNDS					
1. Shareholder's Funds					
Share Capital	I	12,502,080	443,173,433	12,502,080	443,173,433
2. Reserves & Surplus	II	-	116,402,850	-	77,557,397
3. Loan Funds					
a) Secured	III	1,250,000	54,825,000	6,250,000	296,062,500
b) Unsecured	IV	6,460,438	283,284,328	1,637,980	77,591,094
		7,710,438	338,109,328	7,887,980	373,653,594
TOTAL		20,212,518	897,685,611	20,390,060	894,384,424
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	V	1,238,440	54,658,868	1,067,911	46,827,291
Less: Depreciation		1,062,437	47,223,748	978,731	43,379,451
Net Block		176,003	7,435,120	89,180	3,447,840
2. Current Assets, Loans & Advances					
a) Sundry Debtors	VI	5,029,567	220,596,809	4,116,844	195,014,884
b) Cash & Bank Balances	VII	1,877,867	82,363,243	850,502	40,288,281
c) Loans and Advances	VIII	1,250,734	54,985,224	1,216,323	57,617,161
d) Other Current Assets	IX	602,217	26,413,253	800	37,896
		8,760,385	384,358,528	6,184,469	292,958,222
Less: Current Liabilities and Provisions					
Current Liabilities	X	12,021,645	527,269,339	9,362,496	443,501,473
Net Current Assets		(3,261,260)	(142,910,811)	(3,178,027)	(150,543,251)
3. Profit & Loss Account					
	XI	23,297,775	1,033,161,302	23,478,907	1,041,479,835
TOTAL		20,212,518	897,685,612	20,390,060	894,384,424
Significant Accounting Policies and Notes to accounts	XVIII				
Schedules, Accounting Policies and Notes form an integral part of this accounts					

Significant Accounting Policies and Notes to accounts

XVIII

Schedules, Accounting Policies and Notes form an integral part of this accounts

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Sch	Year ended 31.03.2004 USD	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 USD	Year ended 31.03.2003 Rs.
INCOME					
Sales	XII	15,307,129	702,982,941	11,240,910	542,711,121
Other Income	XIII	23,544	1,081,260	19,065	920,468
		<u>15,330,673</u>	<u>704,064,201</u>	<u>11,259,975</u>	<u>543,631,589</u>
EXPENDITURE					
Cost of Sales		1,188,484	54,581,369	1,111,423	53,659,485
Employee Compensation & Benefits	XIV	10,400,647	477,651,800	8,200,965	395,942,630
Sales & Marketing Expenses	XV	421,593	19,361,760	455,125	21,973,426
Administrative & Other Expenses	XVI	2,692,107	123,635,530	3,498,560	168,910,540
		<u>14,702,831</u>	<u>675,230,459</u>	<u>13,266,073</u>	<u>640,486,081</u>
Profit /(Loss) before Interest, Depreciation & Tax		627,842	28,833,742	(2,006,098)	(96,854,492)
Interest & Finance Charges	XVII	363,002	16,670,912	468,941	22,640,438
Profit / (Loss) before Depreciation & Tax		264,840	12,162,830	(2,475,039)	(119,494,930)
Depreciation		83,708	3,844,297	44,077	1,909,819
Profit /(Loss) before Tax		181,132	8,318,533	(2,519,116)	(121,404,749)
Tax		-	-	-	-
Profit/ (Loss) for the year		<u>181,132</u>	<u>8,318,533</u>	<u>(2,519,116)</u>	<u>(121,404,749)</u>
Profit & Loss Appropriation Account for the year ended 31st March 2004					
Transferred from Profit & Loss Account		181,132	8,318,533	(2,519,116)	(121,404,749)
Add : Balance brought forward		(23,478,907)	(1,041,479,835)	(22,211,361)	(979,361,949)
Add: Prior period adjustments		-	-	1,251,570	59,286,863
Retained profit carried to Balance Sheet		<u>(23,297,775)</u>	<u>(1,033,161,302)</u>	<u>(23,478,907)</u>	<u>(1,041,479,835)</u>
Significant Accounting Policies and Notes to accounts	XVIII				
Schedules, Accounting Policies and Notes form an integral part of this accounts					

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 USD	As at 31.03.2004 Rs.	As at 31.03.2003 USD	As at 31.03.2003 Rs.
Schedule I				
Share Capital				
Authorised: (2,000,000,000 equity shares of USD 0.10 each)	200,000,000	7,089,595,215	200,000,000	7,089,595,215
Issued Share Capital (125,020,800 equity shares of USD 0.10 each)	12,502,080	443,173,433	12,502,080	443,173,433
Subscribed & Paid-up Share Capital (125,020,800 equity shares of USD 0.10 each)	12,502,080	443,173,433	12,502,080	443,173,433
	12,502,080	443,173,433	12,502,080	443,173,433
Schedule II				
Reserves & Surplus Translation Reserve Account (Refer Note No 2)	-	116,402,850	-	77,557,397
	-	116,402,850	-	77,557,397
Schedule III				
Secured Loans Bank Borrowings	1,250,000	54,825,000	6,250,000	296,062,500
	1,250,000	54,825,000	6,250,000	296,062,500
Schedule IV				
Unsecured Loans 1) From Related Companies 2) Short term loans and advances	6,335,438 125,000	277,801,828 5,482,500	1,493,980 144,000	70,769,814 6,821,280
	6,460,438	283,284,328	1,637,980	77,591,094

**Schedule V
Fixed Assets**

Description	Gross Block			Depreciation			Net Block			
	Balance as at 1.4.2003 USD	Balance as at 1.4.2003 Rs.	Additions during the year USD	Balance as at 1.4.2003 USD	Balance as at 31.3.2004 USD	For the year Rs.	Balance as at 31.3.2004 USD	Balance as at 31.3.2004 Rs.	As at 1.4.2003 USD	As at 1.4.2003 Rs.
Plant & Machinery	162,229	7,082,322	-	158,469	160,460	91,507	160,460	7,016,707	3,760	157,122
Hardware & Software	856,117	37,855,039	170,529	772,697	854,412	3,752,790	854,412	36,117,111	85,420	3,290,718
Furniture, fittings & office equipments	47,565	2,089,930	-	47,565	47,565	-	47,565	2,089,930	-	-
Total	1,067,911	46,827,291	170,529	978,731	1,052,437	3,844,297	1,052,437	47,223,748	176,003	89,180
Previous year	1,067,321	46,798,806	590	834,854	978,731	1,909,819	978,731	43,379,451	89,180	3,447,840
				44,077	3,844,297	1,909,819	44,077	43,379,451	132,667	5,329,174

	As at 31.03.2004 USD	As at 31.03.2004 Rs.	As at 31.03.2003 USD	As at 31.03.2003 Rs.
Schedule VI				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
i) Debts considered good	2,846,046	124,827,578	2,723,424	129,008,600
ii) Debts considered doubtful	352,763	16,200,704	1,315,704	63,565,829
	<u>3,198,809</u>	<u>141,028,282</u>	<u>4,039,128</u>	<u>192,574,429</u>
b) Other debts - considered good	2,183,521	95,769,231	1,393,420	66,006,284
Total	5,382,330	236,797,513	5,432,548	258,580,713
Less: Provision for Bad & Doubtful Debts	352,763	16,200,704	1,315,704	63,565,829
	<u>5,029,567</u>	<u>220,596,809</u>	<u>4,116,844</u>	<u>195,014,884</u>
Schedule VII				
Cash and Bank Balances				
Cash on hand	500	21,930	500	23,685
a) Balances with Other Banks in Current Account				
Fleet Bank, USA	1,373,294	60,232,693	397,113	18,811,239
b) Balances with Other Banks in Deposit Account				
Fleet Bank, USA	504,073	22,108,620	452,889	21,453,357
	<u>1,877,867</u>	<u>82,363,243</u>	<u>850,502</u>	<u>40,288,281</u>
Schedule VIII				
Loans and Advances				
a) Advances recoverable in Cash or in Kind or for value to be received				
From Related Companies	1,025,127	45,090,078	992,954	47,036,212
From Others	121,169	5,314,479	114,673	5,432,038
b) Deposits with Government Department and others	104,438	4,580,667	108,696	5,148,911
	<u>1,250,734</u>	<u>54,985,224</u>	<u>1,216,323</u>	<u>57,617,161</u>
Schedule IX				
Other Current Assets				
Prepaid Expenses	2,747	120,499	800	37,896
Work in Progress	599,470	26,292,754	-	-
	<u>602,217</u>	<u>26,413,253</u>	<u>800</u>	<u>37,896</u>
Schedule X				
Current Liabilities				
a) Sundry creditors for Expenses	2,729,109	119,698,727	2,281,171	108,059,118
b) Payables to Related Companies	9,292,536	407,570,612	7,081,325	335,442,355
	<u>12,021,645</u>	<u>527,269,339</u>	<u>9,362,496</u>	<u>443,501,473</u>
Schedule XI				
Profit & Loss Account				
Loss brought forward from Profit and Loss Account	23,297,775	1,033,161,302	23,478,907	1,041,479,835
	<u>23,297,775</u>	<u>1,033,161,302</u>	<u>23,478,907</u>	<u>1,041,479,835</u>

Ramco Systems Corporation, USA

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31.03.2004 USD	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 USD	Year ended 31.03.2003 Rs.
Schedule XII				
Sales				
Software Revenues (Licensing & Services)	14,772,345	678,422,888	10,884,063	525,482,579
Value Added Resale Software & Hardware Materials	15,375	706,100	33,802	1,631,944
Others	519,409	23,853,953	323,045	15,596,598
	<u>15,307,129</u>	<u>702,982,941</u>	<u>11,240,910</u>	<u>542,711,121</u>
Schedule XIII				
Other Income				
Interest Income	23,544	1,081,260	8,555	413,026
Other income	-	-	10,510	507,442
	<u>23,544</u>	<u>1,081,260</u>	<u>19,065</u>	<u>920,468</u>
Schedule XIV				
Employee Compensation and Benefits				
Salaries, Bonus etc.,	9,451,518	434,062,844	7,306,590	352,762,178
Statutory Contributions	473,539	21,747,381	462,942	22,350,857
Staff Welfare	475,590	21,841,575	431,433	20,829,595
	<u>10,400,647</u>	<u>477,651,800</u>	<u>8,200,965</u>	<u>395,942,630</u>
Schedule XV				
Sales & Marketing Expenses				
Advertisement	3,150	144,664	5,197	250,914
Selling and Marketing	418,443	19,217,096	449,928	21,722,512
	<u>421,593</u>	<u>19,361,760</u>	<u>455,125</u>	<u>21,973,426</u>
Schedule XVI				
Administrative and other expenses				
Consultancy	451,224	20,722,552	445,916	21,528,835
Bank Charges	4,869	223,587	2,837	136,993
Insurance	198,164	9,100,703	172,331	8,320,158
Communication Expenses	280,035	12,860,676	292,086	14,101,929
Power & Fuel	7,511	344,952	10,721	517,624
Rent	496,840	22,817,479	620,333	29,949,678
Printing & Stationery	37,513	1,722,775	34,385	1,660,122
Repairs & Maintenance	18,897	867,833	21,618	1,043,710
Provision for Bad & Doubtful Debts	352,763	16,200,704	1,240,400	59,886,525
Travel & Conveyance	599,199	27,518,357	472,960	22,834,491
Miscellaneous expenses	245,092	11,255,912	184,588	8,911,904
Foreign Currency Fluctuation Account	-	-	385	18,571
	<u>2,692,107</u>	<u>123,635,530</u>	<u>3,498,560</u>	<u>168,910,540</u>
Schedule XVII				
Interest & Finance Charges				
Finance Charges	9,126	419,108	5,390	260,216
Loan Interest	353,876	16,251,804	463,551	22,380,222
	<u>363,002</u>	<u>16,670,912</u>	<u>468,941</u>	<u>22,640,438</u>

Schedule XVIII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies:

1. Accounts are maintained on accrual basis. The transactions are in local currency (US Dollars-USD) and are translated for reporting in Indian Currency as provided in item 2 below.

2. Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

3. Revenue Recognition:

A) Software & Related Services

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

- a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.
- b) In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract.

iv) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B) Value Added Resale Hardware & Software

Revenue from sales is recognised upon despatch of goods to customers.

C) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.

Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956. The estimated useful life of the assets are:

Hardwares & Softwares	5 years
Furniture & Fittings and Office Equipments	7 years

5. Holding Company Transactions:

The Company has significant transactions with its parent company for financial support. The same is unsecured and interest is charged at reasonable rates. However there is no fixed terms of repayment. However the Company has significant transactions with its holding company which are trade related. However the same is unsecured and has no fixed terms of payment.

NOTES TO ACCOUNTS

1. The Company is a majority owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of Ramco Systems Limited, the holding company so as to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (USD) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1, 2003 to March 31, 2004.
4. **Secured Loans:** Borrowings from banks amounting to Rs.548.25 lacs (USD 1.25 million) [Previous Year Rs.592.12 lacs (USD 1.25 million)] are secured by cash deposits of Ramco Systems Limited, India.
5. **Current Liabilities:** The Company does not have any dues to any small scale industrial undertakings.
6. Consultancy includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.4.83 Lacs (Previous Year Rs.4.83 Lacs)
7. **Contingent liability – NIL**
8. **Taxation:** No provision has been made for current year as the company has reported losses.
9. **Additional information as required by Schedule VI of the companies Act,1956.** (Rs. In lacs)

	2003-04	2002-03
a) Sales:Ramco e.Application and other Software & Services	7,029.83	5,427.11
b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty, Debit Notes & Interest	1,219.27	696.88

10. The figures have been rounded off to the nearest rupee/USD and previous year's figures have been regrouped /recast wherever necessary to make them comparable with that of the current year.

As per our Report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place: Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

RAMCO SYSTEMS LIMITED

BASEL, SWITZERLAND

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

Mr. P.R. VENKETRAMA RAJA

Dr. STEPHEN ESCHMANN

Mr. ERWIN BRUNNER

OFFICE

Lange Gasse 90, Postfach
CH ñ 4020 Basel, Switzerland

AUDITORS

Messrs. ERNST & YOUNG
Messrs. CNGSN & ASSOCIATES

BANKERS

UBS AG, Basel, Switzerland

Ramco Systems Limited, Switzerland

DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Annual Report of Ramco Systems Limited, Basel, Switzerland for the year ended 31st March, 2004.

Financial Results Particulars	March 31, 2004	March 31, 2004	March 31, 2003	(in millions) March 31, 2003
	(in CHF)	(in Rs.)	(in CHF)	(in Rs.)
Revenues	6.56	227.61	6.78	220.06
Expenditure				
Staff cost	5.18	179.87	4.84	157.33
Other Direct costs	2.24	77.62	1.94	63.13
Sales & Marketing Expenses	0.82	28.48	0.98	32.05
Administration & other expenses	1.85	64.26	1.56	50.77
Earnings before Interest, Depreciation & Amortization	(3.53)	(122.62)	(2.54)	(83.22)
Interest	0.32	10.93	0.16	5.29
Depreciation	0.04	1.43	0.06	1.78
Amortization	0.68	23.39	1.07	37.19
Profit / (Loss)	(4.57)	(158.37)	(3.83)	(127.48)

OPERATIONS

The revenue for the year 2003-2004 stood at CHF 6.56 million as against CHF 6.78 million in the previous year.

DIVIDEND

In view of the losses no dividend is being recommended.

DIRECTORS

The Directors in Office at the date of this report are:

1. Mr.P.R.Venketrama Raja
2. Dr.Stephen Eschmann
3. Mr.Erwin Brunner

AUDITORS

Messrs. Ernst & Young the Company's Auditor under the Swiss Law reporting and Messrs. CNGSN & Associates, Auditors for reporting under the provisions of the Indian Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2A) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2004, that:

- a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and the Loss of the Company for the period ended 31st March, 2004.
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2004

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2004.

(A) CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : Strict control was exercised over consumption of energy at all sections
- (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy : -
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : -
- (d) Total energy consumption per unit of production of goods : -

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the Swiss market only and as such the company is not engaged in any export activity.

(Rs. In Lacs)

- (D) 1) Total foreign exchange used : **851.98**
- 2) Total foreign exchange earned : NIL

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the Company

This company continues to invest in software localisation cost as part of Research & Development programme.

2. Benefits derived as a result of the above R&D

The company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future plan of action

- a) Web enabled application
- b) Target existing customers of Ramco Systems
- c) Strategic alliances with consulting companies.

4. Expenditure on R&D : NIL

AUDITOR'S REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED, SWITZERLAND

- We have examined the attached Balance Sheet of Ramco Systems Limited, Switzerland as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors Messrs. Ernst & Young for expressing an opinion.
- These financial statements are the responsibility of the Ramco Systems Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts give a true and fair view
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2004 and
 - in the case of Profit and Loss Account, of the Loss for the year ended 31st March 2004
- In our opinion, clauses of Companies Auditor's Report Order 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act 1956, are not applicable.

For **CNGSN & Associates**
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner

Ramco Systems Limited, Switzerland

BALANCE SHEET AS AT 31ST MARCH, 2004

	Sch	As at 31.03.2004 CHF	As at 31.03.2004 Rs.	As at 31.03.2003 CHF	As at 31.03.2003 Rs.
I. SOURCES OF FUNDS					
1. Shareholder's Funds					
Share Capital	I	9,600,000	288,671,649	9,600,000	288,671,649
2. Secured Loans	II	-	-	1,791,834	62,140,805
3. Unsecured Loans	III	4,598,538	156,289,314	1,409,043	48,865,586
TOTAL		14,198,538	444,960,963	12,800,877	399,678,040
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block		840,315	22,739,328	821,716	21,905,014
Less: Depreciation		750,315	20,612,395	726,216	19,729,160
Net Block		90,000	2,126,933	95,500	2,175,854
2. Investments	V	50,000	1,458,000	50,000	1,734,000
3. Current Assets, Loans & Advances					
a) Sundry Debtors	VI	2,041,609	70,170,104	2,057,350	71,348,898
b) Cash & Bank Balances	VII	220,286	7,571,214	422,320	14,646,046
c) Loans and advances	VIII	26,296	903,806	33,452	1,160,130
d) Other Current Assets	IX	58,564	2,012,853	317,381	11,006,773
		2,346,755	80,657,977	2,830,503	98,161,847
Less: Current Liabilities and Provisions					
Current Liabilities	X	8,790,629	297,981,381	6,787,378	235,386,315
		8,790,629	297,981,381	6,787,378	235,386,315
Net Current Assets		(6,443,874)	(217,323,404)	(3,956,875)	(137,224,468)
4. Miscellaneous Expenditure (to the extent not written off)	XI	1,862,000	63,996,940	2,542,500	88,173,900
5. Profit & Loss Account	XII	18,640,412	594,702,494	14,069,752	444,818,754
TOTAL		14,198,538	444,960,963	12,800,877	399,678,040
Significant Accounting Policies and Notes to accounts	XIX				
Schedules, Accounting Policies and Notes form an integral part of this accounts					

As per our report annexed
For CNGSN & Associates
Chartered Accountants

C.N.GANGADARAN
Partner

Place : Chennai
Date : 16th June, 2004

For and on behalf of the Board

P.R.VENKETRAMA RAJA
Director

DR.STEPHEN ESCHMANN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Sch	Year ended 31.03.2004 CHF	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 CHF	Year ended 31.03.2003 Rs.
INCOME					
Sales	XIII	6,406,024	222,246,095	6,229,649	202,334,014
Other Income	XIV	154,609	5,363,885	545,916	17,730,910
		<u>6,560,633</u>	<u>227,609,980</u>	<u>6,775,565</u>	<u>220,064,924</u>
EXPENDITURE					
Cost of Sales		2,237,186	77,615,353	1,943,600	63,126,618
Employee Compensation & Benefits	XV	5,184,486	179,866,929	4,844,129	157,333,439
Sales & Marketing Expenses	XVI	820,782	28,475,632	986,705	32,047,374
Administrative & Other Expenses	XVII	1,852,082	64,254,814	1,563,302	50,774,757
		<u>10,094,536</u>	<u>350,212,727</u>	<u>9,337,736</u>	<u>303,282,188</u>
Profit/(Loss) before Interest, Depreciation, Amortization & Tax		(3,533,903)	(122,602,747)	(2,562,171)	(83,217,264)
Interest & Finance charges	XVIII	315,158	10,933,883	162,934	5,291,952
Profit/(Loss) before Depreciation, Amortization & Tax		(3,849,051)	(133,536,630)	(2,725,105)	(88,509,216)
Depreciation		41,099	1,425,876	56,216	1,780,650
Profit/(Loss) before Amortization & Tax		(3,890,160)	(134,962,506)	(2,781,321)	(90,289,866)
Amortization		680,500	23,388,785	1,072,500	37,194,300
Profit/(Loss) for the year before Tax		(4,570,660)	(158,351,291)	(3,853,821)	(127,484,166)
Tax		-	-	-	-
Profit/(Loss) for the year after Tax		(4,570,658)	(158,351,291)	(3,853,821)	(127,484,166)
Accumulated Profit/(Loss) brought forward		(14,069,752)	(418,621,605)	(10,215,931)	(291,137,439)
Retained Profit/(Loss) carried to Balance Sheet		(18,640,412)	(576,972,896)	(14,069,752)	(418,621,605)

Significant Accounting Policies and
Notes to accounts

XIX

Schedules, Accounting Policies and
Notes form an integral part of this accounts

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

DR. STEPHEN ESCHMANN
Director

Ramco Systems Limited, Switzerland

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 CHF	As at 31.03.2004 Rs.	As at 31.03.2003 CHF	As at 31.03.2003 Rs.
Schedule I				
Share Capital				
Authorised:				
9600 Shares of CHF 1000 each	<u>9,600,000</u>	<u>288,671,649</u>	<u>9,600,000</u>	<u>288,671,649</u>
Issued, Subscribed & Paid-up Share Capital				
9600 Shares of CHF 1000 each	<u>9,600,000</u>	<u>288,671,649</u>	<u>9,600,000</u>	<u>288,671,649</u>
	<u>9,600,000</u>	<u>288,671,649</u>	<u>9,600,000</u>	<u>288,671,649</u>
Schedule II				
Secured Loans				
Borrowings from UTI Bank	-	-	1,787,398	61,986,971
Borrowings from UBS Bank	-	-	4,436	153,834
	-	-	<u>1,791,834</u>	<u>62,140,805</u>
Schedule III				
Unsecured Loans				
From Related Companies	<u>4,598,538</u>	<u>156,289,314</u>	<u>1,409,043</u>	<u>48,865,586</u>
	<u>4,598,538</u>	<u>156,289,314</u>	<u>1,409,043</u>	<u>48,865,586</u>

Schedule IV Fixed Assets

Description	Gross Block						Depreciation			Net Block						
	Opening Balance 1.4.2003 CHF	Opening Balance 1.4.2003 Rs.	Additions during the year CHF	Additions during the year Rs.	Deletions during the year CHF	Deletions during the year Rs.	Balance as at 1.4.2003 CHF	Balance as at 1.4.2003 Rs.	For the year CHF	For the year Rs.	Deletions for the year CHF	Deletions for the year Rs.	As at 31.03.2004 CHF	As at 31.03.2004 Rs.	As at 1.4.2003 CHF	As at 1.4.2003 Rs.
Furniture	321,934	8,593,126	2,423	84,069	-	-	318,434	8,492,930	1,423	49,376	-	-	4,500	134,889	3,500	100,197
Office Equipments	5,615	161,875	-	-	-	-	3,115	90,312	400	13,877	-	-	2,100	57,686	2,500	71,562
EDP Hardware	349,454	9,267,946	36,995	1,283,487	-	-	285,454	7,840,592	32,995	1,144,714	-	-	66,000	1,566,127	64,000	1,427,354
EDP Software	119,213	3,186,425	4,681	162,399	-	-	102,213	2,762,686	6,281	217,909	-	-	15,400	368,230	17,000	423,739
Vehicles	25,500	695,942	-	-	25,500	695,642	17,000	542,640	-	-	17,000	542,640	-	-	8,500	153,002
Total	821,716	21,905,014	44,099	1,529,955	25,500	695,642	726,216	19,729,160	41,099	1,425,876	17,000	542,640	90,000	2,126,932	95,500	2,175,854
Previous Year	810,100	21,540,854	11,616	364,360	-	-	670,000	17,948,510	56,216	1,780,650	-	-	95,500	2,175,854	140,100	3,592,144

Schedule V Investments

5000 shares in Triamun Ramco Healthcare Systems Limited, Switzerland of face value of CHF 10 each at par

	<u>50,000</u>	<u>1,458,000</u>	<u>50,000</u>	<u>1,734,000</u>
	<u>50,000</u>	<u>1,458,000</u>	<u>50,000</u>	<u>1,734,000</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH,2004

	As at 31.03.2004 CHF	As at 31.03.2004 Rs.	As at 31.03.2003 CHF	As at 31.03.2003 Rs.
Schedule VI				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
i) Debts considered good	300,609	10,331,937	207,905	7,210,149
ii) Debts considered doubtful	780,000	26,808,600	200,000	6,936,000
	<u>1,080,609</u>	<u>37,140,537</u>	407,905	14,146,149
b) Other Debts - Considered good	1,741,000	59,838,167	1,849,445	64,138,749
	<u>2,821,609</u>	<u>96,978,704</u>	2,257,350	78,284,898
Less: Provision for Bad & Doubtful Debts	(780,000)	(26,808,600)	(200,000)	(6,936,000)
	<u>2,041,609</u>	<u>70,170,104</u>	2,057,350	71,348,898
Schedule VII				
Cash and Bank Balances				
Cash on hand	6,693	230,030	2,112	73,235
Balances with Other Banks in Current Account				
UBS AG, Switzerland	130,729	4,493,166	307,508	10,664,391
Credit Suisse, Switzerland	82,864	2,848,018	106,037	3,677,361
ABN Amro Bank, Switzerland	-	-	6,663	231,059
	<u>220,286</u>	<u>7,571,214</u>	422,320	14,646,046
Schedule VIII				
Loans and Advances (Unsecured, Considered good)				
Advances recoverable in cash or in kind or for value to be received	16,816	577,978	22,812	791,135
Deposits with Government Department and others	9,480	325,828	10,640	368,995
	<u>26,296</u>	<u>903,806</u>	33,452	1,160,130
Schedule IX				
Other Current Assets				
Prepaid Expenses	58,564	2,012,853	317,381	11,006,773
Schedule X				
Current Liabilities				
a) Sundry Creditors				
for Purchases	392,087	13,476,041	687,867	23,855,275
for Expenses	80,220	2,757,165	152,081	5,274,178
b) Due to Related Companies	7,546,465	255,219,455	5,357,104	185,784,369
c) Accrued Expenses	771,857	26,528,720	590,326	20,472,494
	<u>8,790,629</u>	<u>297,981,381</u>	6,787,378	235,386,315
Schedule XI				
Miscellaneous Expenses (to the extent not written off)				
Product Development Expenditure	1,857,000	63,825,090	2,530,000	87,740,400
Foundation cost	5,000	171,850	12,500	433,500
	<u>1,862,000</u>	<u>63,996,940</u>	2,542,500	88,173,900
Schedule XII				
Profit & Loss Account				
Accumulated Losses brought forward from P&L Account	18,640,412	576,972,896	14,069,752	418,621,605
Translation Reserve Account (Refer note no 2)	-	17,729,598	-	26,197,149
	<u>18,640,412</u>	<u>594,702,494</u>	14,069,752	444,818,754

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year Ended 31.03.2004 CHF	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 CHF	Year Ended 31.03.2003 Rs.
Schedule XIII				
Sales				
Software Revenues (Licensing & Services)	6,224,776	215,958,017	5,972,312	193,975,916
Others	181,248	6,288,078	257,337	8,358,098
	<u>6,406,024</u>	<u>222,246,095</u>	6,229,649	202,334,014

Ramco Systems Limited, Switzerland

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year Ended 31.03.2004 CHF	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 CHF	Year Ended 31.03.2003 Rs.
Schedule XIV				
Other Income				
Interest	992	34,405	2,757	89,557
Foreign Exchange Fluctuation	153,617	5,329,480	543,159	17,641,353
	<u>154,609</u>	<u>5,363,885</u>	<u>545,916</u>	<u>17,730,910</u>
Schedule XV				
Employee Compensation and Benefits				
Salaries, Bonus etc.,	2,185,538	75,823,525	1,963,026	63,757,503
Statutory contributions	474,708	16,469,180	210,902	6,849,930
Employee Benefits	2,524,240	87,574,224	2,670,201	86,726,006
	<u>5,184,486</u>	<u>179,866,929</u>	<u>4,844,129</u>	<u>157,333,439</u>
Schedule XVI				
Sales & Marketing Expenses				
Advertisement	123,420	4,281,860	119,090	3,867,946
Marketing expenses	697,362	24,193,771	867,615	28,179,428
	<u>820,782</u>	<u>28,475,632</u>	<u>986,705</u>	<u>32,047,374</u>
Schedule XVII				
Administrative and other expenses				
Insurance	38,596	1,339,030	40,188	1,305,276
Electricity	9,213	319,628	12,936	420,146
Postage	4,852	168,342	6,924	224,871
Communication	157,578	5,466,886	139,288	4,523,977
Consultancy	237,524	8,240,506	323,541	10,508,343
Board Members Fees	-	-	24,299	789,209
Printing & Stationery	21,460	744,503	22,265	723,141
Travel & Conveyance	109,667	3,804,701	119,450	3,879,639
Repairs & Maintenance	44,087	1,529,538	47,950	1,557,374
Rent & Leasing cost	279,135	9,684,113	644,693	20,939,103
Other Expenses	6,786	235,443	8,445	274,279
Bad Debts written off	19,348	671,246	151,364	4,916,175
Provision for Bad Debts	780,000	27,060,774	-	-
Rates & Taxes	143,836	4,990,104	21,959	713,224
	<u>1,852,082</u>	<u>64,254,814</u>	<u>1,563,302</u>	<u>50,774,757</u>
Schedule XVIII				
Interest & Finance Charges				
Bank Interest	315,158	10,933,883	162,934	5,291,952

Schedule XIX

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies:

- Accounts are maintained on accrual basis. The transactions are in local currency (Swiss Francs-CHF) and are translated for reporting in Indian Currency as provided in item 2 below.
- Translation to Indian Rupees:**
For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and classified under Reserves and Surplus a/c.
- Revenue Recognition:**
 - Software & Related Services**
 - Licence Fees**
Licence Fee revenue is recognised on delivery of the software.
 - Implementation Fees**
Implementation Contracts are either milestones based or time and material based.
 - In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.
 - In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.
 - Services**
Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract.
 - Annual Maintenance Contract**
Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B) Value Added Resale Hardware & Software

Revenue from sales is recognised upon despatch of goods to customers.

C) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.

Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956. The estimated useful life of the asset are as follows

EDP - Hardwares	5 years
EDP - Softwares	5 years
Furniture	8 years
Vehicles	3 years
Office Equipments	8 years

5. Holding Company Transaction:

The Company has transactions with its parent company for financial support. The same is unsecured and interest is charged at reasonable rates. However there is no fixed terms of repayment. However the amount due in respect of trade related activities are unsecured and have no fixed terms of payment.

6. Software Development Cost:

Software Development costs have been capitalised and amortized over its useful life.

NOTES TO ACCOUNTS

- The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.
- For translating local currency (Swiss Francs-CHF) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above. For the current year, Translation Reserve is grouped along with Profit & Loss a/c on the asset side, being exchange loss on conversion.
- The accounts pertain to the year April 1, 2003 to March 31, 2004.

4. Current Liabilities:

The Company does not have any dues to any small scale industrial undertakings.

5. Research & Development:

Upto 2002-03 the total amount capitalized and amortised in respect of Product Development Expenditure were Rs.1,147.24 lacs and Rs.574.62 lacs respectively. During the current year 2003-04, an amount of Rs.231.31 lacs has been amortised on the above account.

- Consultancy includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.9.30 Lacs (Previous Year Rs.7.15 Lacs)

7. Contingent Liability:

Bank Guarantees given during the year Rs.62.12 Lacs (CHF 0.18 million) (Previous year Rs.62.12 Lacs (CHF 0.18 million)).

8. Retirement Benefits:

There exists a Federal Obligatory Pension Fund to which the employee contributes 50% and the employer contributes 50%.

9. Taxation:

The company has not provided for taxation, as it has carry forward losses of earlier years.

10. Additional information as required by Schedule VI of the Companies Act, 1956

(Rs. In Lacs)

	2003-04	2002-03
a) Sales : Ramco e.Application and other Software & Services	2,222.46	2,023.34
b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty, Debit notes & Interest	851.98	650.37

- The figures have been rounded off to the nearest rupee/CHF and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

DR. STEPHEN ESCHMANN
Director

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

Shri. P.R. VENKETRAMA RAJA

Shri. IYENGAR VIJAYKUMAR GOPALAN

Shri. K. RAMACHANDRAN

SECRETARY

Kong Yuh Ling Doreen

REGISTERED OFFICE

78, Shenton Way #26-02A, Singapore 079 120

HEAD OFFICE

10, Eunos Road 8, #08 ñ 05, Singapore Post Centre

Singapore 408 600

AUDITORS

Messrs. ROHAN.MAH & PARTNERS

Messrs. CNGSN & ASSOCIATES

BANKERS

ABN Amro Bank

DIVIDEND

The Directors do not recommend payment of a dividend for the financial year under review. No dividend has been paid since the end of the previous financial year.

DIRECTORS BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS GRANTED

No options were granted during the financial year to take up unissued shares of the Company.

SHARE OPTIONS EXERCISED

During the financial year, no shares were issued by virtue of the exercise of options granted.

UNISSUED SHARES UNDER OPTION

There were no unissued shares under option at the end of the financial year.

AUDITORS

The Auditors, M/s.Rohan.Mah & Partners, the Company's Auditors under the Singapore law of reporting and Messrs. CNGSN & Associates, Auditors for reporting under the provisions of the Companies Act, 1956, are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2A) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2004, that:

- a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any
- b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and the Loss of the Company for the period ended 31st March, 2004.
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. VENKETRAMA RAJA
Director

Ramco Systems Pte. Ltd., Singapore

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2004

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2004.

(A) CONSERVATION OF ENERGY

- | | | |
|--|---|---|
| (a) Energy conservation measures taken | : | Strict control was exercised over consumption of energy at all sections |
| (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy | : | - |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | - |
| (d) Total energy consumption per unit of production of goods | : | - |

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the Singapore market only and as such the company is not engaged in any export activity.

(Rs. In Lacs)

- | | | |
|------------------------------------|---|---------------|
| (D) 1) Total foreign exchange used | : | 369.36 |
| 2) Total foreign exchange earned | : | NIL |

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the Company

The company continues to invest in software localisation cost as part of Research & Development programme.

2. Benefits derived as a result of the above R&D

The Company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future plan of action

- Web enabled application
- Target existing customers of Ramco Systems
- Strategic alliances with consulting companies

- | | | |
|-----------------------|---|-----|
| 4. Expenditure on R&D | : | NIL |
|-----------------------|---|-----|
-

AUDITOR'S REPORT

TO THE MEMBERS OF RAMCO SYSTEMS PTE. LTD, SINGAPORE

1. We have examined the attached Balance Sheet of Ramco Systems Pte. Ltd., Singapore as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors, Messrs. Rohan. Mah & Partners for expressing an opinion.
2. These financial statements are the responsibility of the Ramco Systems Pte.Ltd.'s, management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements .An audit includes , examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us , the accounts give a true and fair view
4. In our opinion, clauses of Companies Auditor's Report Order 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act 1956, are not applicable.

For **CNGSN & Associates**

Chartered Accountants

C.N. GANGADARAN

Partner

Place : Chennai

Date : 16th June, 2004

Ramco Systems Pte. Ltd., Singapore

BALANCE SHEET AS AT 31ST MARCH, 2004

	Sch	As at 31.03.2004 S\$	As at 31.03.2004 Rs.	As at 31.03.2003 S\$	As at 31.03.2003 Rs.
I. SOURCES OF FUNDS					
1. Shareholder's Funds					
a) Share Capital	I	725,000	18,616,100	725,000	18,616,100
b) Reserves and Surplus	II	-	2,824,556	-	1,559,729
TOTAL		725,000	21,440,656	725,000	20,175,829
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	III	264,689	7,020,305	258,957	6,868,702
Less: Depreciation		225,039	5,947,569	172,809	4,565,763
Net Block		39,650	1,072,736	86,148	2,302,939
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	530,362	13,847,763	1,741,417	46,704,790
b) Cash & Bank Balances	V	187,646	4,899,443	70,512	1,891,129
c) Loans and advances	VI	530,710	13,859,351	585,206	15,695,244
d) Other Current Assets	VII	189,317	4,943,079	89,362	2,396,695
		1,438,035	37,549,636	2,486,497	66,687,858
Less: Current Liabilities and Provisions					
a) Current Liabilities	VIII	2,789,319	72,241,170	2,991,697	80,237,358
b) Provisions	IX	72,636	1,896,516	1,000	26,820
		2,861,955	74,137,686	2,992,697	80,264,178
Net Current Assets		(1,423,920)	(36,588,050)	(506,200)	(13,576,320)
3. Profit & Loss Account	X	2,109,270	56,955,970	1,145,052	31,449,210
TOTAL		725,000	21,440,656	725,000	20,175,829

Significant Accounting Policies and Notes to accounts

XV

Schedules, Accounting Policies and Notes form an integral part of this accounts

As per our report annexed
For **CNGSN & Associates**
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Sch	Year ended 31.03.2004 S\$	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 S\$	Year ended 31.03.2003 Rs.
INCOME					
Sales	XI	2,748,772	72,724,546	3,761,242	102,409,209
Other Income		-	-	8,361	227,649
		<u>2,748,772</u>	<u>72,724,546</u>	<u>3,769,603</u>	<u>102,636,858</u>
EXPENDITURE					
Cost of Sales		1,377,491	36,444,433	2,105,296	57,321,947
Employee Compensation & Benefits	XII	1,607,996	42,542,919	2,116,813	57,635,547
Sales & Marketing Expenses	XIII	17,150	453,747	28,425	773,943
Administrative & Other Expenses	XIV	639,238	16,912,374	1,026,386	27,945,939
		<u>3,641,875</u>	<u>96,353,473</u>	<u>5,276,920</u>	<u>143,677,376</u>
Profit/(Loss) before Depreciation, Amortization & Tax		(893,103)	(23,628,927)	(1,507,317)	(41,040,518)
Depreciation		60,591	1,603,062	68,865	1,846,958
Profit/(Loss) before Amortization & Tax		(953,694)	(25,231,989)	(1,576,182)	(42,887,476)
Amortization		-	-	123,014	3,263,561
Profit/(Loss) before Tax		(953,694)	(25,231,989)	(1,699,196)	(46,151,037)
Provision for Taxation		10,524	274,771	42,509	1,140,091
Profit/(Loss) after Tax		(964,218)	(25,506,760)	(1,741,705)	(47,291,128)
Accumulated Profit brought forward		(1,145,052)	(31,449,210)	596,653	15,841,918
Retained profit/(Loss) carried to Balance Sheet		(2,109,270)	(56,955,970)	<u>(1,145,052)</u>	<u>(31,449,210)</u>

Significant Accounting Policies and Notes to accounts

XV

Schedules, Accounting Policies and Notes form an integral part of this accounts

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

As at 31.03.2004 S\$ As at 31.03.2004 Rs. As at 31.03.2003 Rs.

**Schedule I
Share Capital**

Authorised:

(8,00,000 ordinary shares of S\$ 1 each -S\$ 8,00,000)

Issued, Subscribed and Paid-up Share Capital

(7,25,000 ordinary shares of S\$ 1 each - S\$ 7,25,000)

**Schedule II
Reserves & Surplus**

Translation Reserve a/c (Refer Note No.2)

As at 31.03.2004 S\$	As at 31.03.2004 Rs.	As at 31.03.2003 S\$	As at 31.03.2003 Rs.
800,000	20,541,903	800,000	20,541,903
725,000	18,616,100	725,000	18,616,100
725,000	18,616,100	725,000	18,616,100
-	2,824,556	-	1,559,729
-	2,824,556	-	1,559,729

**Schedule III
Fixed Assets**

Description	Gross Block				Depreciation				Net Block			
	Balance as at 1.4.2003 S\$	Additions during the year Rs.	Deletions during the year S\$	Balance as at 31.3.2004 S\$	For the Year Rs.	Deletions during the year S\$	Balance as at 31.3.2004 S\$	Deletions during the year Rs.	Balance as at 31.3.2004 Rs.	As at 31.3.2004 S\$	As at 1.4.2003 S\$	As at 1.4.2003 Rs.
Computers	126,354	14,093	8,361	132,086	19,790	8,361	109,573	221,257	2,854,856	23,513	29,210	791,175
Office Equipments	89,643	-	-	89,643	26,483	-	87,828	-	2,329,838	1,815	28,298	726,133
Lease Line Equipments	42,960	-	-	42,960	14,318	-	28,638	-	762,875	14,322	28,640	765,631
TOTAL	258,957	14,093	8,361	264,689	1,603,062	8,361	225,039	221,257	5,947,569	39,650	86,148	2,302,939
Previous year	168,230	4,398,433	-	258,957	68,865	-	172,809	-	4,565,763	86,148	64,286	1,679,628

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 S\$	As at 31.03.2004 Rs.	As at 31.03.2003 S\$	As at 31.03.2003 Rs.
Schedule IV				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
(i) Debts considered good	7,332	191,439	145,185	3,893,861
(ii) Debts considered doubtful	-	-	10,300	280,443
	<u>7,332</u>	<u>191,439</u>	155,485	4,174,304
b) Other Debts considered good	523,030	13,656,324	1,596,232	42,810,929
Total	<u>530,362</u>	<u>13,847,763</u>	1,751,717	46,985,233
Less: Provision for Bad & Doubtful Debts	-	-	10,300	280,443
	<u>530,362</u>	<u>13,847,763</u>	1,741,417	46,704,790
Schedule V				
Cash and Bank Balances				
Cash on hand	81	2,110	277	7,421
Balances with other Banks in current account				
ABN Amro Bank, Singapore	187,565	4,897,333	70,235	1,883,708
	<u>187,646</u>	<u>4,899,443</u>	70,512	1,891,129
Schedule VI				
Loans and Advances (Unsecured, Considered good)				
Advances recoverable in cash or kind or for value to be received				
From Related Companies	468,967	12,247,240	517,290	13,873,726
From others	13,693	357,537	5,492	147,306
Rent Deposit and Other Deposits	48,050	1,254,574	62,424	1,674,212
	<u>530,710</u>	<u>13,859,351</u>	585,206	15,695,244
Schedule VII				
Other Current Assets				
Deferred Maintenance cost	18,352	479,167	61,694	1,654,639
Prepaid Expenses	19,729	515,131	27,668	742,056
Stock	151,236	3,948,781	-	-
	<u>189,317</u>	<u>4,943,079</u>	89,362	2,396,695
Schedule VIII				
Current Liabilities				
a) Sundry Creditors				
for Purchases	20,440	533,690	436,532	11,707,812
for Expenses	165,550	4,322,511	358,416	9,612,722
b) GST payable	26,057	680,348	34,645	929,179
c) CPF Payable	8,509	222,170	7,911	212,193
d) Unaccrued maintenance charges	192,963	5,038,255	303,696	8,145,127
e) Payable to Related Companies	2,375,800	61,444,196	1,850,497	49,630,325
	<u>2,789,319</u>	<u>72,241,170</u>	2,991,697	80,237,358
Schedule IX				
Provisions				
Provision for taxation	72,636	1,896,516	1,000	26,820
	<u>72,636</u>	<u>1,896,516</u>	1,000	26,820
Schedule X				
Profit & Loss Account				
Balance in Profit & Loss Account	2,109,270	56,955,970	1,145,052	31,449,210
	<u>2,109,270</u>	<u>56,955,970</u>	1,145,052	31,449,210

Ramco Systems Pte. Ltd., Singapore

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year Ended 31.03.2004 S\$	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 S\$	Year Ended 31.03.2003 Rs.
Schedule XI				
Sales				
Software Revenues (Licensing & Services)	2,320,948	61,405,556	3,229,965	87,943,855
Value Added Resales Software & Hardware Materials	427,824	11,318,990	531,277	14,465,354
	<u>2,748,772</u>	<u>72,724,546</u>	<u>3,761,242</u>	<u>102,409,209</u>
Schedule XII				
Employee Compensation and Benefits				
Salaries, Bonus etc.,	1,413,686	37,402,028	1,978,638	53,873,385
Statutory Contributions	41,571	1,099,848	34,751	946,183
Employee Benefits	152,739	4,041,043	103,424	2,815,979
	<u>1,607,996</u>	<u>42,542,919</u>	<u>2,116,813</u>	<u>57,635,547</u>
Schedule XIII				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	17,150	453,747	28,425	773,943
	<u>17,150</u>	<u>453,747</u>	<u>28,425</u>	<u>773,943</u>
Schedule XIV				
Administrative and other expenses				
Consultancy	12,882	340,819	11,433	311,292
Bank Charges	4,495	118,919	8,565	233,204
Office Expenses	31,057	821,677	46,872	1,276,207
Insurance	1,083	28,664	-	-
Communication Expenses	70,265	1,858,997	63,313	1,723,855
Rent	211,356	5,591,857	273,840	7,456,006
Guest House Expenses	10,931	289,190	18,380	500,441
Travel & Conveyance	263,124	6,961,497	427,025	11,626,810
Entertainment	6,210	164,308	17,784	484,214
Bad Debts Written off	3,276	86,673	130,911	3,564,379
Provision for Doubtful Debts	-	-	10,300	280,443
Foreign Exchange Loss	12,027	318,211	7,331	199,605
Other expenses	12,532	331,562	10,632	289,483
	<u>639,238</u>	<u>16,912,374</u>	<u>1,026,386</u>	<u>27,945,939</u>

Schedule XV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies:

1. Accounts are maintained on accrual basis. The transactions are in local currency (Singapore Dollars-S\$) and are translated for reporting in Indian Currency as provided in item 2 below.

2. Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

3. Revenue Recognition:

A) Software & Related Services

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

b) In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract.

iv) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B) Value Added Resale Hardware & Software

Revenue from sales is recognised upon despatch of goods to customers.

C) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.

Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

The estimated useful life of the asset are as follows

Computers	3 years
Lease Line Equipments	3 years
Office Equipments	3 years

5. Holding Company Transaction:

The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

6. Software Development Cost:

Software Development costs have been capitalised and amortized over its useful life.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (Singapore Dollars-S\$) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1, 2003 to March 31, 2004.
4. **Current Liabilities:**
The Company does not have any dues to any small scale industrial undertakings.
5. Consultancy includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.1.48 Lacs (Previous Year Rs.1.52 Lacs)
6. **Contingent Liability** - NIL
7. **Taxation:**
Provision has been made for current year taxation.
8. **Additional information as required by Schedule VI of the Companies Act, 1956**

(Rs. In Lacs)

	<u>2003-04</u>	<u>2002-03</u>
a) Sales : Ramco e.Application and other Software & Services	727.25	1,024.09
b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty & Debit notes	369.36	481.29

9. The figures have been rounded off to the nearest rupee/S\$ and previous year figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

RAMCO SYSTEMS SDN. BHD., MALAYSIA

(Company No.342313W)

(Incorporated in Malaysia)

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

DIRECTORS

Shri. P.R. VENKETRAMA RAJA

SAW BEE LEAN

LUM CHEE YENG

Shri. K. RAMACHANDRAN

SECRETARIES

SAW BEE LEAN

LUM CHEE YENG

REGISTERED OFFICE

11th Floor, Wisma Damansara,
Jalan Semantan, Damansara Heights
50490, Kuala Lumpur, Malaysia

HEAD OFFICE

Suite 1001, Level 10, Menara PJ,
Amcorp Trade Centre, 18, Persiaran Barat,
46050, Petaling Jaya, Selangor Darul Ehsan, Malaysia

AUDITORS

Messrs. KPMG

Messrs. CNGSN & ASSOCIATES

BANKERS

ABN AMRO BANK BERHAD

BUMIPUTRA ñ COMMERCE BANK BERHAD

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004.

Your directors are pleased to present their report on the Company, its performance and the Audited Financial Statements for year ended 31st March, 2004.

Financial Results

(in millions)

Particulars	March 31, 2004 (in RM)	March 31, 2004 (in Rs.)	March 31, 2003 (in RM)	March 31, 2003 (in Rs.)
Revenues	7.70	92.29	4.53	57.05
Expenditure				
Staff cost	2.80	33.54	2.97	37.48
Other Direct costs	2.20	26.39	1.29	16.21
Sales & Marketing Expenses	0.08	0.93	0.01	0.08
Administration & other expenses	1.17	14.01	2.44	30.81
Earnings before Depreciation, Amortization & Tax	1.45	17.42	(2.18)	(27.53)
Depreciation	0.04	0.53	0.05	0.64
Amortization	-	-	0.17	2.21
Taxes Excess Provided in earlier years	-	-	0.09	1.15
Net Profit/(Loss)	1.41	16.89	(2.31)	(29.23)

RESERVES

There were no material transfers to or from reserves and provisions during the year under review.

DIVIDEND

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

1. Mr. Pusapadi Ramasubrahmaneya Rajha Venketrama Raja
2. Lum Chee Yeng
3. Saw Bee Lean
4. Kalyanasundaram Ramachandran

None of the Directors in office at the year end held any beneficial interest in the shares of the Company, related corporations or holding company during the year ended 31st March, 2004 except as follows:

In Holding Company	Number of Shares			
	Balance as on 01.04.2003	Bought	Sold	Balance as on 31.03.2004
Mr. P.R.Venketrama Raja	239,250	119675	-	359,024
Mr. Kalyanasundaram Ramachandran	-	235	-	235

DIRECTORS BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of a related company) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than fees paid to a firm in which two Directors are also Directors for professional services rendered to the company.

There were no arrangements during and at the end of the year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the company during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

No Options were granted to any person to take up unissued shares of the Company during the year.

Ramco Systems Sdn. Bhd., Malaysia

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Company for the financial year ended 31st March, 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

Messrs. KPMG, the Company's Auditors under the Malaysian law of reporting and Messrs.CNGSN & Associates, Auditors for reporting under the provisions of the Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2A) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2004, that:

- a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any
- b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and the Profit of the Company for the period ended 31st March, 2004.
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2004

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2004.

(A) CONSERVATION OF ENERGY

- | | |
|--|---|
| (a) Energy conservation measures taken | : Strict control was exercised over consumption of energy at all sections |
| (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy | : - |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : - |
| (d) Total energy consumption per unit of production of goods | : - |

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the Malaysian market only and as such the company is not engaged in any export activity.

- | | |
|------------------------------------|--------------------------|
| (D) 1) Total foreign exchange used | : Rs. 281.28 lacs |
| 2) Total foreign exchange earned | : NIL |

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the Company

The company continues to invest in software localisation cost as part of Research & Development programme.

2. Benefits derived as a result of the above R&D

The Company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future plan of action

- Web enabled application
- Target existing customers of Ramco Systems
- Strategic alliances with consulting companies

4. Expenditure on R&D

: NIL

AUDITOR'S REPORT

TO THE MEMBERS OF RAMCO SYSTEMS SDN. BHD., MALAYSIA

- We have examined the attached Balance Sheet of Ramco Systems Sdn.Bhd., Malaysia as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors Messrs.KPMG for expressing an opinion.
- These financial statements are the responsibility of the Ramco Systems Sdn.Bhd.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts give a true and fair view,
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2004 and
 - in the case of Profit and Loss Account, of the Profit for the year ended 31st March 2004
- In our opinion, clauses of Companies Auditor's Report Order 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act 1956, are not applicable.

For **CNGSN & Associates**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 16th June, 2004

Ramco Systems Sdn. Bhd., Malaysia

BALANCE SHEET AS AT 31ST MARCH, 2004

	Sch	As at 31.03.2004 RM	As at 31.03.2004 Rs.	As at 31.03.2003 RM	As at 31.03.2003 Rs.
SOURCES OF FUNDS					
1. Shareholder's Funds					
a) Share Capital	I	1,280,000	18,217,054	1,280,000	18,217,054
b) Reserves and Surplus	II	1,322,492	11,616,895	-	-
TOTAL		2,602,492	29,833,949	1,280,000	18,217,054
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	III	812,590	9,491,160	791,448	9,237,647
Less: Depreciation		716,093	8,348,170	671,774	7,816,746
Net Block		96,497	1,142,990	119,674	1,420,901
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	1,578,694	18,078,725	1,214,075	15,015,859
b) Cash & Bank Balances	V	1,132,700	12,971,338	620,921	7,679,638
c) Loans and Advances	VI	902,120	10,330,801	956,655	11,832,054
		3,613,514	41,380,864	2,791,651	34,527,551
Less: Current Liabilities and Provisions					
Current Liabilities	VII	1,107,519	12,689,905	1,716,889	21,234,727
Net Current Assets		2,505,995	28,690,959	1,074,762	13,292,824
3. Profit & Loss Account					
	VIII	-	-	85,564	3,503,329
TOTAL FUNDS		2,602,492	29,833,949	1,280,000	18,217,054

Significant Accounting Policies and Notes to accounts

XIV

Schedules, Accounting Policies and Notes form an integral part of this accounts

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Sch	Year ended 31.03.2004 RM	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 RM	Year ended 31.03.2003 Rs.
INCOME					
Sales	IX	7,679,023	92,078,506	4,473,301	56,393,721
Other income	X	18,044	216,363	51,698	651,746
		<u>7,697,067</u>	<u>92,294,869</u>	<u>4,524,999</u>	<u>57,045,467</u>
EXPENDITURE					
Cost of Sales		2,201,167	26,394,009	1,286,087	16,213,362
Employee Compensation & Benefits	XI	2,797,033	33,538,983	2,973,016	37,480,030
Sales & Marketing Expenses	XII	77,859	933,604	5,987	75,481
Administrative & Other Expenses	XIII	1,168,634	14,012,972	2,443,618	30,806,047
		<u>6,244,693</u>	<u>74,879,568</u>	<u>6,708,708</u>	<u>84,574,920</u>
Profit/(Loss) before Depreciation, Amortization & Tax		1,452,374	17,415,301	(2,183,709)	(27,529,453)
Depreciation		44,319	531,423	52,002	643,169
Profit/(Loss) before Amortization & Tax		1,408,055	16,883,878	(2,235,711)	(28,172,622)
Amortization		-	-	173,333	2,211,240
Profit/(Loss) before Tax		1,408,055	16,883,878	(2,409,044)	(30,383,862)
Add: Tax excess provided in earlier years		-	-	90,854	1,145,377
Profit/(Loss) after Tax		1,408,055	16,883,878	(2,318,190)	(29,238,485)
Accumulated Profit brought forward		(85,564)	(3,263,891)	2,232,626	25,974,594
Retained Profit/(Loss) Carried to Balance Sheet		<u>1,322,491</u>	<u>13,619,987</u>	<u>(85,564)</u>	<u>(3,263,891)</u>

Significant Accounting Policies and Notes to accounts

XIV

Schedules, Accounting Policies and Notes form an integral part of this accounts

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 RM	As at 31.03.2004 Rs.	As at 31.03.2003 RM	As at 31.03.2003 Rs.
Schedule I				
Share Capital				
Authorised:				
1500,000 Ordinary shares of RM 1 each	1,500,000	21,348,110	1,500,000	21,348,110
Issued, Subscribed and Paidup Share Capital				
1280,000 Ordinary shares of RM 1 each	1,280,000	18,217,054	1,280,000	18,217,054
	<u>1,280,000</u>	<u>18,217,054</u>	<u>1,280,000</u>	<u>18,217,054</u>
Schedule II				
Reserves and Surplus				
Balance in Profit & Loss Account	1,322,492	13,619,987	-	-
Translation Reserve Account (refer note No.2)	-	(2,003,092)	-	-
	<u>1,322,492</u>	<u>11,616,895</u>	<u>-</u>	<u>-</u>
Schedule III				
Fixed Assets				

Description	Gross Block				Depreciation		Net Block			
	Balance as at 1.4.2003 RM	Additions during the year RM	Balance as at 1.4.2003 Rs.	Additions during the year Rs.	Balance as at 31.3.2004 RM	For the Year RM	Balance as at 31.3.2004 Rs.	As at 31.3.2004 RM	As at 1.4.2003 RM	As at 31.3.2004 Rs.
Plant & Machinery	81,511	10,632	960,600	127,487	50,908	624,956	8,633	103,513	30,603	335,644
- EDP	577,846	6,100	6,660,325	73,145	562,949	6,480,844	11,316	135,689	14,897	179,481
- Software	132,091	4,410	1,616,722	52,880	57,917	710,946	24,370	292,221	74,174	905,776
Office equipments	791,448	21,142	9,237,647	253,512	671,774	7,816,746	44,319	531,423	119,674	1,420,901
Total	697,184	94,284	8,049,284	1,188,363	619,772	7,173,577	52,002	643,189	1,420,901	77,412
Previous year			791,448	9,237,647						875,707

Schedule IV

Sundry Debtors (Unsecured)

- a) Debts outstanding for a period exceeding six months
- (i) Debts considered good
- (ii) Debts considered doubtful
- b) Other Debts - Considered good
- Total
- Less: Provision for Bad & Doubtful debts

	102,653	1,175,553	203,449	2,516,287
	<u>14,075</u>	<u>166,057</u>	938,294	11,689,566
	<u>116,728</u>	<u>1,341,610</u>	1,141,743	14,205,853
	<u>1,476,041</u>	<u>16,903,172</u>	1,010,626	12,499,572
	<u>1,592,769</u>	<u>18,244,782</u>	2,152,369	26,705,425
	<u>14,075</u>	<u>166,057</u>	938,294	11,689,566
	<u>1,578,694</u>	<u>18,078,725</u>	1,214,075	15,015,859

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 RM	As at 31.03.2004 Rs.	As at 31.03.2003 RM	As at 31.03.2003 Rs.
Schedule V				
Cash and Bank Balances				
Cash on hand	3,009	34,454	-	-
Balances with other Banks in Current Account				
Bumiputra Commerce Bank Berhad, Malaysia	722,049	8,268,692	472,379	5,842,448
ABN Amro Bank Berhad, Malaysia	407,642	4,668,192	148,542	1,837,190
	<u>1,132,700</u>	<u>12,971,338</u>	<u>620,921</u>	<u>7,679,638</u>
Schedule VI				
Loans and Advances (Unsecured, Considered Good)				
a) Advances recoverable in Cash or in Kind or for value to be received				
From Related Companies	791,290	9,061,610	813,310	10,059,137
From Others	5,345	61,209	7,140	88,309
b) Deposits with Government Department and others	105,485	1,207,982	128,205	1,585,663
c) Prepaid expenses	-	-	8,000	98,945
	<u>902,120</u>	<u>10,330,801</u>	<u>956,655</u>	<u>11,832,054</u>
Schedule VII				
Current Liabilities				
a) Sundry Creditors for purchases	582,565	6,671,352	451,083	5,579,061
b) Sundry Creditors for expenses	448,243	5,133,145	505,125	6,247,456
c) Payable to Related Companies	76,711	885,408	760,681	9,408,210
	<u>1,107,519</u>	<u>12,689,905</u>	<u>1,716,889</u>	<u>21,234,727</u>
Schedule VIII				
Profit & Loss Account				
Balance in Profit & Loss Account	-	-	85,564	3,263,891
Translation Reserve Account (refer note No.2)	-	-	-	239,438
	<u>-</u>	<u>-</u>	<u>85,564</u>	<u>3,503,329</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year Ended 31.03.2004 RM	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 RM	Year Ended 31.03.2003 Rs.
Schedule IX				
Sales				
Software Revenues (Licensing & Services)	7,567,518	90,741,459	4,325,201	54,526,663
Value added resale Software & Hardware Materials	111,505	1,337,047	148,100	1,867,058
	<u>7,679,023</u>	<u>92,078,506</u>	<u>4,473,301</u>	<u>56,393,721</u>
Schedule X				
Other Income				
Foreign Exchange Fluctuation	2,694	32,302	51,698	651,746
Other Income	15,350	184,061	-	-
	<u>18,044</u>	<u>216,363</u>	<u>51,698</u>	<u>651,746</u>

Ramco Systems Sdn. Bhd., Malaysia

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year Ended 31.03.2004 RM	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 RM	Year Ended 31.03.2003 Rs.
Schedule XI				
Employee Compensation and Benefits				
Salaries, Bonus etc.,	2,601,427	31,193,483	2,733,697	34,462,996
Statutory Contributions	-	-	13,164	165,955
Employee Benefits	195,606	2,345,500	226,155	2,851,079
	<u>2,797,033</u>	<u>33,538,983</u>	<u>2,973,016</u>	<u>37,480,030</u>
Schedule XII				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	76,868	921,718	2,409	30,372
Discount	991	11,886	3,578	45,109
	<u>77,859</u>	<u>933,604</u>	<u>5,987</u>	<u>75,481</u>
Schedule XIII				
Administrative and other expenses				
Consultancy	48,189	577,827	51,758	652,501
Bank Charges	4,798	57,531	3,280	41,347
Insurance	308	3,696	-	-
Postage & Courier	4,447	53,319	5,686	71,687
Telephone	176,276	2,113,709	184,097	2,320,867
Water & Power	-	-	9,042	113,989
Printing & Stationery	5,102	61,178	6,829	86,096
Rent	328,073	3,933,891	419,853	5,292,970
Repairs-Plant & Machinery	3,033	36,367	3,953	49,834
Repairs-Others	20,673	247,883	10,955	138,106
Entertainment	17,801	213,452	10,368	130,709
Travel & Conveyance	530,823	6,365,053	679,896	8,571,263
Provision for Bad & Doubtful Debts	9,040	108,398	295,022	3,719,265
Bad Debts Written off	-	-	728,620	9,185,514
Other expenses	20,071	240,668	34,259	431,899
	<u>1,168,634</u>	<u>14,012,972</u>	<u>2,443,618</u>	<u>30,806,047</u>

Schedule XIV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies:

1. Accounts are maintained on accrual basis. The transactions are in local currency (Malaysian Ringgit-RM) and are translated for reporting in Indian Currency as provided in item 2:

2. Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate at the date of investment by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

3. Revenue Recognition

A) Software and Related Services

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

b) In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract.

iv) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B) Value Added Resale Hardwares & Softwares

Revenue from sales is recognised upon despatch of goods to customers.

C) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.

Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956. The estimated useful life of the asset are as follows:

Plant & Machinery -EDP	5 years
Plant & Machinery -Software	3 years
Office Equipments	5 years

5. Holding Company Transaction:

The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

6. Software Development Cost:

Software Development costs have been capitalised and amortized over its useful life.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (Malaysian Ringgitt-RM) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above. For the current year Translation Reserve is grouped along with Profit & Loss account on the asset side, being the exchange loss on conversion.
3. The accounts pertain to the year April 1, 2003 to March 31, 2004.
4. **Current Liabilities:**
The Company does not have any dues to any small scale industrial undertakings.
5. Consultancy includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.2.37 Lacs (Previous Year Rs.1.89 Lacs)
6. **Contingent Liability** ñ NIL
7. **Taxation:**
No provision for Tax is made in the Current Year's accounts as the company has been granted pioneer status incentive arising from its Multimedia Super Corridor (MSC) Status.
8. **Additional information as required by Schedule VI of the Companies Act, 1956**

(Rs. In Lacs)

	2003-04	2002-03
a) Sales: Ramco e.Application and other Software & Services	920.79	563.94
b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty and Debit notes	281.28	205.11

9. The figures have been rounded off to the nearest Rupee/RM and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our report annexed

For and on behalf of the Board

For CNGSN & Associates

Chartered Accountants

C.N. GANGADARAN

Partner

P.R. VENKETRAMA RAJA

Director

Place : Chennai

Date : 16th June, 2004

K. RAMACHANDRAN

Director

RSL ENTERPRISE SOLUTIONS (PTY) LTD.

Durban, South Africa

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

DIRECTORS

Shri P.R. VENKETRAMA RAJA

Shri KAMESH K. RAMAMOORTHY

Shri B. JAISHANKAR

AUDITORS

Messrs. KPMG Inc.

Messrs. CNGSN & ASSOCIATES

REGISTERED OFFICE

20 Kingsmead

Boulevard,

Kingsmead Office Park,

Durban 4001

HEAD OFFICE

Suite 1 A,

16/18 Frosterly Park,

Frosterly Crescent

Umhlanga Ridge

Durban 4320

BANKERS

BANK OF BARODA

STANDARD BANK

RSL Enterprise Solutions (Pty) Ltd., South Africa

DIRECTORS' REPORT

The Directors present their Report along with the audited financial statements of the company for the financial year ended 31st March, 2004.

Financial Results

Particulars	March 31, 2004	(in millions)
	(in Rand)	March 31, 2004 (In Rs.)
Revenues	2.50	16.04
Expenditure		
Staff cost	0.20	1.25
Other Direct costs	2.00	12.81
Sales & Marketing Expenses	0.01	0.06
Administration & other expenses	0.41	2.69
Earnings before Depreciation, Amortization & Tax	(0.13)	(0.76)
Interest & Finance Charges	0.00	0.02
Depreciation	0.00	0.00
Profit/(Loss) before Tax	(0.13)	(0.79)
Tax	-	-
Net Profit / (Loss)	(0.13)	(0.79)

DIRECTORS OF THE COMPANY

The Directors in Office at the date of this report are:

1. Shri P.R.Venketrana Raja
2. Shri Kamesh K Ramamoorthy
3. Shri B. Jaishankar

PRINCIPAL ACTIVITIES

The company commenced trading during the year under review. The company is involved in the information technology industry and its principal activity is software and systems development.

SHARE CAPITAL : There were no changes in the authorised and issued share capital during the year under review.

DIVIDENDS : No dividends were declared or paid to the members during the year.

HOLDING COMPANY : During the year, the Company became a wholly owned subsidiary of Ramco Systems Limited, a Company registered and controlled in India.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No material facts or circumstances have occurred either during the accounting period or between the accounting date and the date of this report, which are material to the appreciation of the annual financial statements, other than those disclosed herein.

SECRETARY : The company did not have a Secretary for the year under review.

AUDITORS

The Auditors, Messrs. KPMG Inc., the Company's Auditors under the South Africa law of reporting and Messrs. CNGSN & Associates, Auditors for reporting under the provisions of the Companies Act, 1956, are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS : Your Company has not accepted any deposits during the year from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2A) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2004 that:

- a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any
- b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and the Profit & Loss of the Company for the period ended 31st March, 2004.
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 16th June, 2004

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2004

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2004.

(A) CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : Strict control was exercised over consumption of energy at all sections
- (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy : -
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : -
- (d) Total energy consumption per unit of production of goods : -

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the South African market only and as such the company is not engaged in any export activity.

- (D) 1) Total foreign exchange used : **Rs. 170.15 lacs**
- 2) Total foreign exchange earned : NIL

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the Company

The company continues to invest in software localisation cost as part of Research & Development programme.

2. Benefits derived as a result of the above R&D

The Company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future plan of action

- a) Web enabled application
- b) Target existing customers of Ramco Systems
- c) Strategic alliances with consulting companies

4 Expenditure on R&D : NIL

AUDITOR'S REPORT

TO THE MEMBERS OF RSL ENTERPRISE SOLUTIONS (PTY) LIMITED, SOUTH AFRICA

- We have examined the attached Balance Sheet of RSL Enterprise Solutions (Pty) Limited, South Africa as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors Messrs. KPMG Inc., for expressing an opinion.
- These financial statements are the responsibility of the RSL Enterprise Solutions (Pty) Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts give a true and fair view,
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2004 and
 - in the case of Profit and Loss Account, of the Loss for the year ended 31st March 2004
- In our opinion, clauses of Companies Auditor's Report Order 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act 1956, are not applicable.

For **CNGSN & Associates**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai

Date : 16th June, 2004

RSL Enterprise Solutions (Pty) Ltd., South Africa

BALANCE SHEET AS AT 31ST MARCH, 2004

	Sch	As at 31.03.2004 Rand	As at 31.03.2004 Rs.
I. SOURCES OF FUNDS			
1. Shareholder's Funds			
Share Capital	I	100	701
TOTAL		100	701
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	II	27,138	173,839
Less: Depreciation		198	1,270
Net Block		26,940	172,569
2. Current Assets, Loans & Advances			
a) Sundry Debtors	III	157,320	1,030,446
b) Cash & Bank Balances	IV	2,209,217	14,470,370
c) Loans and advances	V	40,694	266,544
d) Other Current Assets	VI	322,540	2,112,637
		2,729,771	17,879,997
Less: Current Liabilities and Provisions			
Current Liabilities	VII	2,880,626	18,819,803
Net Current Assets		(150,855)	(939,806)
3. Profit & Loss Account			
TOTAL	VIII	124,015	767,938
		100	701
Significant Accounting Policies and Notes to accounts	XIII		
Schedules, Accounting Policies and Notes form an integral part of this accounts			

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

C.N. GANGADARAN
Partner

KAMESH K RAMAMOORTHY
Director

Place : Chennai
Date : 16th June, 2004

B. JAISHANKAR
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Sch	Year ended 31.03.2004 Rand	Year ended 31.03.2004 Rs.
INCOME			
Sales	IX	2,488,000	15,937,630
Other Income		15,143	97,000
		2,503,143	16,034,630
EXPENDITURE			
Cost of Sales		2,000,000	12,811,600
Employee Compensation & Benefits	X	195,107	1,249,818
Sales & Marketing Expenses	XI	8,100	51,887
Administrative & Other Expenses	XII	419,720	2,688,642
		2,622,927	16,801,947
Profit/(Loss) before Interest, Depreciation, Interest, Amortization & Tax		(119,784)	(767,317)
Interest & Finance Charges		4,033	25,834
Depreciation		198	1,270
Profit/(Loss) before Amortization & Tax		(124,015)	(794,421)
Amortization		-	-
Profit/(Loss) before Tax		(124,015)	(794,421)
Provision for Taxation		-	-
Profit/(Loss) after Tax		(124,015)	(794,421)
Retained profit/(Loss) carried to Balance Sheet		(124,015)	(794,421)
Significant Accounting Policies and Notes to accounts	XIII		
Schedules, Accounting Policies and Notes form an integral part of this accounts			

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

KAMESH K RAMAMOORTHY
Director

Place : Chennai
Date : 16th June, 2004

B. JAISHANKAR
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

As at
31.03.2004
Rand

As at
31.03.2004
Rs.

**Schedule I
Share Capital**

Authorised:

(1000 ordinary shares of Rand 1 each -Rand 1000)

1,000

7,010

Issued, Subscribed and Paid-up Share Capital

(100 ordinary shares of Rand 1 each -Rand 100)

100

701

100

701

**Schedule II
Fixed Assets**

Description	Gross Block			Depreciation			Net Block				
	Balance as at 1.4.2003 Rand	Balance as at 1.4.2003 Rs.	Additions during the year Rand	Balance as at 31.3.2004 Rand	Balance as at 31.3.2004 Rs.	For the year Rand	For the year Rs.	Balance as at 31.03.2004 Rand	Balance as at 31.03.2004 Rs.	As at 1.4.2003 Rand	As at 1.4.2003 Rs.
Computers	-	-	7,138	7,138	45,723	198	1,270	6,940	44,453	-	-
Office Equipments	-	-	20,000	20,000	128,116	-	-	20,000	128,116	-	-
TOTAL	-	-	27,138	27,138	173,839	198	1,270	26,940	172,569	-	-

Schedule III

Sundry Debtors (Unsecured, Considered good)

Debts outstanding for a period not exceeding six months

157,320

1,030,446

Schedule IV

Cash and Bank Balances

Cash on hand

6,637

43,471

Balances with other Banks in current account

Bank of Baroda, South Africa

2,087,943

13,676,029

The Standard Bank, South Africa

114,637

750,870

2,209,217

14,470,370

Schedule V

Loans and Advances (Unsecured, Considered good)

Advances recoverable in cash or kind or for value to be received

Rent Deposit

16,000

104,800

Deposits with Government Department and others

3,320

21,746

Others

21,374

139,998

40,694

266,544

Schedule VI

Other Current Assets

Work in Progress

322,540

2,112,637

322,540

2,112,637

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004 Rand	As at 31.03.2004 Rs.
Schedule VII		
Current Liabilities		
a) Sundry Creditors for Purchases	27,433	179,685
for Expenses	35,331	231,414
b) Payable to Related Companies	<u>2,817,862</u>	<u>18,408,704</u>
	2,880,626	18,819,803
Schedule VIII		
Profit & Loss Account		
Balance in Profit & Loss Account	124,015	794,421
Translation Reserve	-	(26,483)
	<u>124,015</u>	<u>767,938</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31.03.2004 Rand	Year ended 31.03.2004 Rs.
Schedule IX		
Sales		
Software Revenues (Licensing & Services)	<u>2,488,000</u>	<u>15,937,630</u>
Schedule X		
Employee Compensation and Benefits		
Salaries, Bonus etc.,	192,885	1,235,586
Statutory Contributions	<u>2,222</u>	<u>14,232</u>
	195,107	1,249,818
Schedule XI		
Sales & Marketing Expenses		
Advertisement & Sales Promotion	<u>8,100</u>	<u>51,887</u>
Schedule XII		
Administrative and other expenses		
Consultancy	56,556	362,284
Bank Charges	9,035	57,878
Office Expenses	723	4,629
Communication Expenses	75,720	485,049
Printing & Stationery	4,126	26,430
Rent	42,500	272,247
Travel & Conveyance	187,628	1,201,909
Entertainment	34,581	221,516
Other expenses	<u>8,851</u>	<u>56,700</u>
	419,720	2,688,642

Schedule XIII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies:

1. Accounts are maintained on accrual basis. The transactions are in local currency (Rand) and are translated for reporting in Indian Currency as provided in item 2 below.

2. Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

3. Revenue Recognition:

A) Software & Related Services:

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

RSL Enterprise Solutions (Pty) Ltd., South Africa

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

- a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.
- b) In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract.

iv) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B) Value Added Resale Hardware & Software

Revenue from sales is recognised upon despatch of goods to customers.

C) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.

Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956. The estimated useful life of the asset are as follows:

Computers	3 years
Office Equipments	6 years

5. Holding Company Transaction:

The Company has significant transactions with its holding company which are trade related. However the same is unsecured.

6. Software Development Cost:

Software Development costs have been capitalised and amortized over its useful life.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The company has become subsidiary of Ramco Systems Limited, India, during the year and hence figures for the previous year are not given. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (Rand) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1, 2003 to March 31, 2004.
4. **Current Liabilities:** The Company does not have any dues to any small scale industrial undertakings.
5. Consultancy includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.0.64 Lac.
6. **Contingent Liability – NIL**
7. **Taxation:** No provision has been made for current year as the company has reported losses.
8. **Additional information as required by Schedule VI of the Companies Act, 1956** (Rs. In Lacs)
2003-04
 - a) Sales : Ramco e.Application and other Software & Services **159.38**
 - b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty & Debit notes **170.15**
9. The figures have been rounded off to the nearest Rupee/Rand.

As per our report annexed
For CNGSN & Associates
Chartered Accountants

For and on behalf of the Board

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 16th June, 2004

KAMESH K RAMAMOORTHY
Director

B. JAISHANKAR
Director

RAMCO SYSTEMS LIMITED
GLOBAL CONSOLIDATED FINANCIAL STATEMENTS
UNDER AS-21

AUDITORS

Messrs. CNGSN & ASSOCIATES
Chartered Accountants, Chennai

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF RAMCO SYSTEMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Balance Sheet of Ramco Systems Limited and its Subsidiaries as at 31st March 2004, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Ramco Systems Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 496,236,269/- as at 31st March 2004 and total revenues of Rs 408,664,025/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements and Accounting Standard 23 - Accounting for investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Ramco Systems Limited and its Subsidiaries in the Consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Ramco Systems Limited and its aforesaid Subsidiaries, we are of the opinion that,

- a) the Consolidated Balance Sheet gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of Ramco Systems Limited and its Subsidiaries as at 31st March 2004.
- b) the Consolidated Profit and Loss Account gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated results of operation of Ramco Systems Limited and its Subsidiaries for the year then ended.
- c) the Consolidated Cash flow statement gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated cash flow of Ramco Systems Limited and its Subsidiaries for the year then ended.

For **CNGSN & Associates**
Chartered Accountants

Place : Chennai
Date : 16th June, 2004

C.N. GANGADARAN
Partner

Ramco Systems Limited, Global Consolidated (Under AS-21)

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

	SCHEDULE	As at 31.03.2004		As at 31.03.2003	
		Rs.	USD	Rs.	USD
I. SOURCES OF FUNDS					
1. Share Holders Funds					
a) Share Capital	I	115,965,830	2,665,738	77,680,720	1,815,374
b) Reserves & Surplus	II	3,210,834,512	67,535,329	2,454,670,087	51,821,761
		<u>3,326,800,342</u>	<u>70,201,067</u>	<u>2,532,350,807</u>	<u>53,637,135</u>
2. Loan Funds					
a) Secured	III	382,199,008	8,714,068	714,483,553	15,083,039
b) Unsecured	IV	886,032,500	20,201,380	626,471,250	13,225,063
		<u>1,268,231,508</u>	<u>28,915,448</u>	<u>1,340,954,803</u>	<u>28,308,102</u>
TOTAL		<u>4,595,031,850</u>	<u>99,116,515</u>	<u>3,873,305,610</u>	<u>81,945,237</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	V	2,052,627,462	43,828,025	1,418,574,600	30,001,488
Less : Depreciation		<u>561,650,707</u>	<u>11,993,487</u>	<u>454,328,582</u>	<u>9,656,598</u>
Net Block		1,490,976,755	31,834,538	964,246,018	20,344,890
Capital Work in Progress		85,630,187	1,952,353	-	-
2. Investments	VI	82,459,299	1,808,383	41,236,560	870,520
3. Current Assets, Loans & Advances					
a) Inventories	VII	27,590,709	629,063	43,698,270	922,488
b) Sundry Debtors	VIII	535,426,616	12,207,630	583,820,686	12,324,693
c) Cash & Bank Balances	IX	247,326,321	5,638,994	163,947,663	3,461,002
d) Loans & Advances	X	98,703,787	2,250,428	90,814,673	1,917,134
e) Other Current Assets	XI	49,774,470	1,134,849	27,714,948	585,074
		<u>958,821,903</u>	<u>21,860,964</u>	<u>909,996,240</u>	<u>19,210,391</u>
Less: Current Liabilities and Provisions					
a) Current Liabilities	XII	412,056,927	9,394,822	426,904,500	9,012,128
b) Provisions	XIII	2,823,682	64,379	953,986	20,139
		<u>414,880,609</u>	<u>9,459,201</u>	<u>427,858,486</u>	<u>9,032,267</u>
Net Current Assets		543,941,294	12,401,763	482,137,754	10,178,124
4. Miscellaneous Expenditure (to the extent not written off / adjusted)	XIV	63,996,940	1,459,119	548,283,407	11,574,487
5. Profit & Loss Account	XV	2,328,027,375	49,660,359	1,837,401,871	38,977,216
TOTAL		<u>4,595,031,850</u>	<u>99,116,515</u>	<u>3,873,605,610</u>	<u>81,945,237</u>

Significant Accounting Policies and Notes to Accounts Schedules, Accounting Policies and Notes form an integral part of this accounts

XXII

As per our Report Annexed For **CNGSN & Associates** Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M. VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

	SCHEDULE	Year ended 31.03.2004		Year ended 31.03.2003	
		Rs.	USD	Rs.	USD
INCOME					
Sales	XVI	1,709,247,702	37,218,079	1,560,574,568	32,323,417
Other Income	XVII	16,540,484	360,161	53,756,853	1,113,439
		<u>1,725,788,186</u>	<u>37,578,240</u>	<u>1,614,331,421</u>	<u>33,436,856</u>
EXPENDITURE					
Cost of Resale Material		241,253,688	5,253,188	383,714,779	7,947,695
Employee Compensation & Benefits	XVIII	1,076,407,054	23,438,266	1,018,129,453	21,088,017
Sales & Marketing Expenses	XIX	119,788,112	2,608,331	80,740,222	1,672,333
Administrative & Other Expenses	XX	464,570,681	10,115,811	446,380,812	9,245,666
		<u>1,902,019,535</u>	<u>41,415,596</u>	<u>1,928,965,266</u>	<u>39,953,711</u>
Profit/(Loss) before Interest, Depreciation, Amortization & Tax		(176,231,349)	(3,837,356)	(314,633,845)	(6,516,855)
Interest & Finance Charges	XXI	126,196,237	2,747,865	91,708,798	1,899,519
Profit/(Loss) before Depreciation, Amortization & Tax		(302,427,586)	(6,585,221)	(406,342,643)	(8,416,374)
Depreciation - On Technology Platform		48,535,000	1,056,827	48,535,000	1,005,282
On other fixed assets		60,698,101	1,321,673	62,212,872	1,288,585
Profit/(Loss) before Amortization & Tax		(411,660,687)	(8,963,721)	(517,090,515)	(10,710,241)
Amortisation of Product Research and Development Expenditure		80,188,785	1,746,074	81,518,181	1,688,446
Profit/(Loss) before Tax		(491,849,472)	(10,709,795)	(598,608,696)	(12,398,687)
Provision for Taxation					
Current Taxation		274,771	5,983	(5,286)	(109)
Deferred Taxation		-	-	-	-
Equity in Earnings / (Losses) of Affiliates		134,600	2,931	-	-
Profit/(Loss) after Tax		(491,989,644)	(10,712,847)	(598,603,410)	(12,398,578)
PROFIT & LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004					
Transferred from Profit & Loss Account		(491,989,643)	(10,712,847)	(598,603,410)	(12,398,578)
Add: Balance brought forward		(1,851,173,410)	(39,259,073)	(1,252,570,000)	(26,860,495)
Balance in Profit & Loss Account		(2,343,163,053)	(49,971,919)	(1,851,173,410)	(39,259,073)
Significant Accounting Policies and Notes to Accounts	XXII				
Schedules, Accounting Policies and Notes form an integral part of this accounts					

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M. VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, Global Consolidated (Under AS-21)

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004		As at 31.03.2003	
	Rs.	USD	Rs.	USD
Schedule I				
Share Capital				
1.Share Capital				
Authorised :				
15,000,000 equity Shares of Rs.10/- each	150,000,000		150,000,000	
Issued Share Capital				
11,965,533 equity shares of Rs.10/- each	119,655,330	2,751,470	80,812,720	1,888,568
Subscribed Share Capital				
11,965,533 equity shares of Rs.10/- each	119,655,330	2,751,470	80,812,720	1,888,568
Paid up Capital				
11,617,533 (Previous year 7,733,272)				
Equity shares of Rs.10/- each fully paid up	116,175,330	2,670,143	77,332,720	1,807,241
Add: Forfeited Shares	348,000	8,133	348,000	8,133
Less: Calls in arrears 111,500 shares @ Rs.5/- each	(557,500)	(12,538)	-	-
	115,965,830	2,665,738	77,680,720	1,815,374
Out of the above				
4,333,153 equity shares of face value Rs.10/- each have been allotted to the shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December, 1999.				
2,376,719 equity shares, have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs.10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash. The above allotment has been duly approved by the shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.				
Schedule II				
Reserves & Surplus				
Share Premium	3,110,374,644	71,866,978	2,407,784,020	56,269,155
Translation Reserve a/c (Refer Accounting Policy No III)	100,459,868	(4,331,659)	46,886,067	(4,447,394)
	3,210,834,512	67,535,329	2,454,670,087	51,821,761
Schedule III				
Secured Loans				
a) Bank Borrowings	300,181,426	6,844,082	627,894,555	13,255,110
b) Term Loan from				
Housing Development Finance Corporation Ltd.	11,995,598	273,497	15,712,046	331,688
Sundaram Home Finance Limited	3,188,261	72,692	3,307,673	69,826
Banks / FIs	66,500,000	1,516,188	66,500,000	1,403,842
c) Hire Purchase Loans	333,723	7,609	1,069,279	22,573
[For details of securities, refer note 3]	382,199,008	8,714,068	714,483,553	15,083,039
Schedule IV				
Unsecured Loans				
From Banks	527,550,000	12,028,044	477,550,000	10,081,275
Others	358,482,500	8,173,336	148,921,250	3,143,788
	886,032,500	20,201,380	626,471,250	13,225,063

**Schedule V
Fixed Assets**

Asset Description	Gross Block						Depreciation						Net Block					
	As at 01.04.03		Additions		Withdrawals		As at 31.03.04		As at 01.04.03		Additions		Withdrawals		As at 31.03.04		As at 01.04.03	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Land	117,819,601	2,482,440	-	-	-	-	117,819,601	2,482,440	-	-	-	-	-	-	117,819,601	2,482,440	117,819,601	2,482,440
Building	165,632,153	3,533,633	27,763	605	-	-	165,659,915	3,534,238	34,699,125	735,198	5,532,887	1,204,476	-	-	130,933,028	2,798,435	125,427,904	2,678,564
Plant & Machinery	297,444,260	6,344,336	37,384,173	814,024	1,008,637	21,963	333,819,796	7,136,398	225,483,174	4,855,826	24,078,977	524,309	594,870	12,953	71,961,086	1,508,510	84,852,513	1,789,217
- EDP	82,920,601	1,749,944	18,897,410	407,127	-	-	101,818,012	2,157,073	44,925,010	946,897	15,431,017	336,003	-	-	37,895,591	803,047	41,261,984	874,172
- Software	39,019,422	833,036	-	-	-	-	39,019,422	833,036	18,831,646	402,194	1,524,249	33,190	-	-	20,087,776	430,842	18,563,527	397,852
- Others	485,350,000	10,170,149	-	-	-	-	485,350,000	10,170,149	48,535,000	1,005,282	48,535,000	1,056,827	-	-	436,815,000	9,164,887	388,280,000	8,106,640
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Platform	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Product	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Software	-	-	577,720,026	12,579,586	-	-	577,720,026	12,579,586	-	-	-	-	-	-	-	-	-	-
Furniture	105,393,401	2,238,349	1,597,212	34,779	383,171	8,343	106,607,441	2,264,784	43,729,582	926,826	5,841,082	1,27,187	89,428	1,947	61,663,819	1,311,523	57,720,026	1,212,718
- Office	22,704,313	481,531	180,996	3,941	-	-	22,885,309	485,474	7,896,231	168,717	2,182,894	47,532	-	-	14,706,082	312,814	12,704,184	289,226
Equipments	96,059,259	2,035,225	2,916,197	63,499	1,675,766	36,489	97,269,692	2,062,234	28,016,893	593,318	5,688,730	1,22,781	403,906	8,795	68,042,366	1,441,907	64,047,975	1,354,830
Electrical Items	6,231,590	132,845	-	12,888	1,403,342	23,221	4,828,248	122,613	2,009,920	42,340	468,264	10,196	822,774	17,916	4,221,670	90,505	3,172,838	87,893
Vehicles	1,418,574,600	30,001,488	638,523,777	13,916,549	4,470,916	90,016	2,052,627,462	43,828,025	454,328,582	9,656,598	108,233,100	2,378,501	1,910,978	41,611	964,246,019	20,344,890	1,490,876,785	31,834,838
Total	1,394,596,437	29,504,839	58,006,543	1,201,462	34,028,380	704,813	1,418,574,600	30,001,488	374,536,836	7,972,161	110,747,873	2,293,867	30,956,128	609,430	1,020,059,601	21,632,678	964,246,019	20,344,890
Previous year	1,394,596,437	29,504,839	58,006,543	1,201,462	34,028,380	704,813	1,418,574,600	30,001,488	374,536,836	7,972,161	110,747,873	2,293,867	30,956,128	609,430	1,020,059,601	21,632,678	964,246,019	20,344,890

Note : Gross Block includes vehicles acquired under Hire Purchase Rs. 20,60,300 (USD 46,974)

Ramco Systems Limited, Global Consolidated (Under AS-21)

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

	As at 31.03.2004		As at 31.03.2003	
	Rs.	USD	Rs.	USD
Schedule VI				
Investments				
Trade -Unquoted				
253 shares in Triamun AG, Switzerland of face value of CHF1 each	39,502,560	833,915	39,502,560	833,915
5,000 shares in Triamun Ramco Healthcare Systems Limited, Switzerland of face value of CHF 10 each	2,956,739	62,475	1,734,000	36,605
Non Trade-Unquoted				
Investments In Mutual Funds-Short Term (3,963,771 units purchased under Sundaram Money Fund Plan)	40,000,000	911,993	-	-
	82,459,299	1,808,383	41,236,560	870,520
Schedule VII				
Inventories				
Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)	27,590,708	629,063	43,698,270	922,488
	27,590,708	629,063	43,698,270	922,488
Schedule VIII				
Sundry Debtors				
(Unsecured)				
a) Debts Outstanding for period exceeding six months	228,170,101	5,202,237	364,150,853	7,687,373
Less: Provision for Bad & Doubtful Debts	(43,175,361)	(984,390)	(82,471,838)	(1,741,014)
	184,994,740	4,217,847	281,679,015	5,946,359
b) Other debts considered good	350,431,876	7,989,783	302,141,671	6,378,334
	535,426,616	12,207,630	583,820,686	12,324,693
Schedule IX				
Cash and Bank Balances				
Cash on hand	1,606,918	36,637	401,476	8,475
<u>Balances with Scheduled Banks in</u>				
a) Current Accounts	53,775,790	1,226,078	26,999,537	569,971
b) Deposit Accounts	70,000,000	1,595,987	72,145,897	1,523,029
<u>Balances with Other Banks in Current Account</u>				
Fleet Bank, USA	60,232,693	1,373,294	18,811,239	397,113
UBS AG,Switzerland	4,493,166	102,443	10,664,391	225,130
Credit Suisse, Switzerland	2,848,018	64,934	3,677,361	77,631
ABN Amro Bank, Switzerland	-	-	231,059	4,878
ABN Amro Bank, Singapore	4,897,333	111,658	1,883,708	39,766
Bumiputra Commerce Bank Berhad, Malaysia	8,268,692	188,525	5,842,448	123,336
ABN Amro Bank Berhad, Malaysia	4,668,192	106,434	1,837,190	38,784
Bank of Baroda, South Africa	13,676,029	311,811	-	-
The Standard Bank, South Africa	750,870	17,120	-	-
<u>Balances with Other Banks in Deposit Account</u>				
Fleet Bank, USA	22,108,620	504,073	21,453,357	452,889
	247,326,321	5,638,994	163,947,663	3,461,002

	As at 31.03.2004		As at 31.03.2003	
	Rs.	USD	Rs.	USD
Schedule X				
Loans and Advances				
(Unsecured, Considered Good)				
Advance recoverable in Cash or in Kind or for value to be received	42,219,649	962,600	42,935,195	906,379
Tax deducted at Source	33,774,090	770,043	28,354,545	598,576
Deposits with Government Departments and Others	22,710,049	517,785	19,524,933	412,179
	98,703,788	2,250,428	90,814,673	1,917,134
Schedule XI				
Other Current Assets				
Prepaid expenses	20,426,888	465,729	25,853,879	545,786
Interest Accrued	463,023	10,557	206,431	4,358
Deferred Maintenance Cost	479,168	10,925	1,654,638	34,930
Work in Progress	28,405,391	647,638	-	-
	49,774,470	1,134,849	27,714,948	585,074
Schedule XII				
Current Liabilities				
For Purchases	120,296,989	2,742,749	189,697,635	4,004,594
For Expenses	291,759,938	6,652,073	237,206,865	5,007,534
	412,056,927	9,394,822	426,904,500	9,012,128
Schedule XIII				
Provisions				
Provision for Taxation	2,823,682	64,379	953,986	20,139
	2,823,682	64,379	953,986	20,139
Schedule XIV				
Miscellaneous Expenditure				
Product Research and Development Expenditure to the extent not amortised (Refer note 6)	63,996,940	1,459,119	525,886,134	11,101,671
Deferred Revenue Expenses	-	-	22,397,273	472,816
	63,996,940	1,459,119	548,283,407	11,574,487
Schedule XV				
Profit & Loss Account				
Balance brought forward from Profit & Loss Appropriation account	2,343,163,053	49,971,919	1,851,173,410	39,259,073
Less: Opening equity in earnings of Affiliate (Refer note 7)	(1,364,139)	(29,703)	-	-
Less: Share of Minority Interest (Refer note 12)	(13,771,539)	(281,857)	(13,771,539)	(281,857)
	2,328,027,375	49,660,359	1,837,401,871	38,977,216

Ramco Systems Limited, Global Consolidated (Under AS-21)

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31.03.2004		Year ended 31.03.2003	
	Rs.	USD	Rs.	USD
Schedule XVI				
Sales				
Software Revenues (Licensing & Services)	1,350,779,269	29,412,594	1,101,607,623	22,817,059
Value Added Resale Software & Hardware Materials	328,326,402	7,149,156	443,370,347	9,183,313
Others	30,142,031	656,329	15,596,598	323,045
	<u>1,709,247,702</u>	<u>37,218,079</u>	<u>1,560,574,568</u>	<u>32,323,417</u>
Schedule XVII				
Other Income				
Dividend Income	357,785	7,791	-	-
Interest Received	4,686,889	102,055	5,468,550	113,267
Profit on sale of assets	98,470	2,144	334,297	6,924
Foreign Exchange Fluctuation	-	-	38,124,208	789,648
Other Income	11,397,340	248,171	9,829,798	203,600
	<u>16,540,484</u>	<u>360,161</u>	<u>53,756,853</u>	<u>1,113,439</u>
Schedule XVIII				
Employee Compensation & Benefits				
Salaries, Bonus etc.,	868,543,745	18,912,139	814,580,491	16,872,007
Gratuity & Superannuation Fund Contributions	53,367,809	1,162,059	51,448,606	1,065,630
Provident Fund & other Statutory Contributions	16,021,057	348,851	15,972,584	330,832
Staff Welfare	138,474,443	3,015,217	136,127,772	2,819,548
	<u>1,076,407,054</u>	<u>23,438,266</u>	<u>1,018,129,453</u>	<u>21,088,017</u>
Schedule XIX				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	118,753,177	2,585,796	79,513,391	1,646,922
Others	1,034,935	22,535	1,226,831	25,411
	<u>119,788,112</u>	<u>2,608,331</u>	<u>80,740,222</u>	<u>1,672,333</u>
Schedule XX				
Administrative & Other Expenses				
Consultancy	44,027,262	958,673	46,405,057	961,165
Bank Charges	2,657,402	57,864	5,893,452	122,068
Insurance	12,414,854	270,328	11,067,072	229,227
Loss on sale of fixed assets	1,127,977	24,561	762,154	15,786
Communication Expenses	41,390,256	901,254	37,735,813	781,603
Power & Fuel	13,133,736	285,981	12,594,906	260,872
Printing & Stationery	5,825,269	126,843	5,317,069	110,130
Rates & Taxes	9,788,305	213,136	11,951,454	247,545
Rent	81,317,092	1,770,642	97,545,057	2,020,403
Repairs - Buildings	1,096,587	23,878	165,188	3,421
Repairs - Plant & Machinery	7,136,215	155,388	5,328,789	110,373
Repairs - Others	7,440,042	162,003	7,815,763	161,884
Travel & Conveyance	89,154,129	1,941,290	93,615,087	1,939,003
Bad Debts	35,107,965	764,460	86,672,744	1,795,210
Miscellaneous Expenses	25,654,031	558,605	22,943,996	475,228
Provision for Doubtful Advances	-	-	567,211	11,748
Provision for Doubtful Debts	29,953,847	652,231	-	-
Foreign Exchange Fluctuation	38,428,797	836,769	-	-
Stock Write off	18,916,915	411,907	-	-
	<u>464,570,681</u>	<u>10,115,811</u>	<u>446,380,814</u>	<u>9,245,666</u>
Schedule XXI				
Interest & Finance Charges				
Fixed Loans	7,771,161	169,214	24,992,161	517,650
Hire Purchase & Finance Charges	4,668,672	101,658	2,687,157	55,658
Others	113,756,404	2,476,993	64,029,480	1,326,211
	<u>126,196,237</u>	<u>2,747,865</u>	<u>91,708,798</u>	<u>1,899,519</u>

Schedule XXII

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED, INDIA AND ITS SUBSIDIARIES:

SIGNIFICANT ACCOUNTING POLICIES:

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements are prepared under the historical cost convention and the accounts are prepared in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

II. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements have been prepared on the following basis:

The Financial Statements of Subsidiaries have been combined on a line by line basis by adding together the book values of like item of assets, liabilities, income and expenditure after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses. The Financial Statement of the affiliate has been consolidated using the Equity Method as prescribed by Accounting Standard 23 issued by the Institute of Chartered Accountants of India.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions or other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's financial statements.

III. TRANSLATION TO INDIAN RUPEES:

The functional currency of the Parent Company is Indian Rupee. The functional currencies of the subsidiaries are their respective local currencies. Their accounts are converted from their local currency to Indian Rupees in the following manner:

All income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate at the date of investment. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out in the notes to accounts under 'Significant Accounting Policies' of the financial statements of Ramco Systems Limited, India.

NOTES ON ACCOUNTS

1. The Consolidated Financial Statements cover Ramco Systems Limited, India, the Parent Company and its Subsidiaries and affiliate as given below:

S.No.	Name	Country	% holding	Year ending on
Subsidiaries				
1	Ramco Systems Corporation	USA	96.89%	31 st March
2	Ramco Systems Limited	Switzerland	100%	31 st March
3	Ramco Systems Sdn. Bhd.	Malaysia	100%	31 st March
4	Ramco Systems Pte. Ltd.	Singapore	100%	31 st March
5	RSL Enterprise Solutions (Pty) Ltd (became subsidiary during the year)	South Africa	100%	31 st March
Affiliate				
1	Triamun Ramco Healthcare Systems Limited	Switzerland	50%	31 st December

2. Contingent Liabilities

	As at 31.03.2004 (Rs. in lacs)	As at 31.03.2004 (USD millions)	As at 31.03.2003 (Rs. in lacs)	As at 31.03.2003 (USD Millions)
(a) Estimated amount of contracts remaining to be executed on capital account	129.17	0.29	153.27	0.32
(b) Bank Guarantees	613.79	1.40	599.76	1.27
(c) Letters of Credit	593.83	1.35	76.64	0.16
(d) Octroi Liability	29.02	0.07	26.52	0.05
(e) Income Tax Liability	1,756.13	4.00	924.92	1.95

Ramco Systems Limited, Global Consolidated (Under AS-21)

3. Secured Loans

(a) India: Borrowings from the banks for working capital amounting to Rs.940.00 lacs (USD 2.14 million) (Previous year Rs.1,838.28 lacs (USD 3.88 million)) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance Borrowings from banks for working capital amounting to Rs.1,513.56 lacs (USD 3.45 million) (Previous year Rs.858.64 lacs (USD 1.81 million)) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

USA: Borrowings from banks amounting to Rs.548.25 lacs (USD 1.25 million) (Previous year Rs.592.12 lacs (USD 1.25 million)) are secured by cash deposits of Ramco Systems Limited, India.

(b) Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Limited represent a Line of Credit to the Company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees and includes an amount of Rs. Nil (Previous year Rs.12.27 lacs) which represents amount due to be repaid in respect of two employees who have repaid the loan to the Company.

(c) Borrowings from HDFC Limited (under Banks / FIs) amounting to Rs.665 lacs (Previous year Rs.665 lacs) are secured by an exclusive charge on the Land at Santhome, Chennai.

(d) Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.8,805.50 lacs (previous year Rs.6,205.50 lacs), Rs.7,775.50 lacs (previous year Rs.4,775.50 lacs) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.500.00 lacs (previous year Nil) are supported by a Corporate Guarantee from Ramco Industries Limited.

4. Taxation:

Provision for taxation during the year pertains to the current year tax provision by Ramco Systems Pte. Limited, Singapore.

5. Deferred Tax

In the perception of the Company, provisioning for Deferred Tax Assets / Liabilities does not arise.

6. Research & Development

India: A separate Profit and Loss Account, Balance Sheet and Schedules in respect of the Research & Development activities is enclosed.

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into 'Product Software' and 'Technology Platform'. The activities during the year are shown below:

	Rs. in lacs
Product Research & Development Expenses not written off as on 31.03.2003	4,377.12
Add: Further research and development expenditure incurred and capitalised during the year.	2,824.38
Less: Amortisation during the year	(568.00)
Less: Work in progress relating to Technology Platform	(856.30)
Balance, transferred to 'Product Software' under fixed Assets as on 31.03.2004	5,777.20

Switzerland: Upto 2002-03 the total amount capitalized and amortized in respect of Product Development Expenditure were Rs.1,147.24 lacs and Rs.574.62 lacs respectively. During the current year 2003-04, an amount of Rs.231.31 lacs has been amortized on the same account.

7. Proportionate equity in the earnings of Affiliate for the year Jan 2003-Dec 2003 is recognised in the current year's Profit and Loss Account and the proportionate equity for the previous year Jan 2002-Dec 2002 is adjusted from the opening balance of Profit and Loss Account.

8. Equity and Share Premium

India:

a) Rights Issue

During the year, in November 2003, the Company came out with an issue of 38,72,511 equity shares of Rs.10/- each, at a price of Rs.200/- per equity share (including a premium of Rs.190/- per equity share), on Rights basis to the existing equity shareholders in the ratio of one equity share for every two equity shares held, amounting to Rs.7745.02 lacs. The first and final call of Rs.100/- per equity share was also made as of 31st March 2004. Calls are in arrears from members holding 1,11,500 shares as on 31st March 2004.

b) Utilisation of Rights Issue proceeds:

The total funds required and means of finance as projected by the company for the Financial Year 2003-04 in the Letter of Offer dated 30th October 2003 was Rs.11,230 lacs. The actuals as compared to the projections are as detailed below: (Rs. in lacs)

Particulars	Projection as per Letter of Offer	Actuals
Requirement of Funds		
Working Capital	6,670.00	3,948.47
Research & Development	2,350.00	3,255.89
Marketing Development	1,410.00	481.14
Capital Expenditure	600.00	506.42
Issue Expenses	200.00	254.60
	<u>11,230.00</u>	<u>8,446.52</u>
Means of Finance		
Rights Issue Proceeds	7,745.00	5,383.52 *
Term Loans / Short Term Loans / Working Capital Loans	3,485.00	3,063.00
	<u>11,230.00</u>	<u>8,446.52</u>

* Net of Rs. 2,250 lacs available with the Company and which have been used to reduce borrowings as on 31st March, 2004.

c) Employee Stock Option Plan 2000 (ESOP 2000 Scheme):

Pursuant to the Company's Employee Stock Option Plan 2000, as at the end of the year, employees holding 11,750 Options exercised their right at a price of Rs.254/- per equity share (including a premium of Rs.244/- per equity share).

d) Increase in share capital and premium is given below:

(Rs. in lacs)		
Increase on account of	Increase in share capital	Increase in share premium
Rights Issue	381.68	7,251.85
Exercise of options under ESOP 2000 Scheme	1.18	28.67
Total	<u>382.86</u>	<u>7,280.52</u>
Less: Rights Issue Expenses adjusted	-	(254.61)
Net increase	<u>382.86</u>	<u>7,025.91</u>

9. Earnings per share [EPS]

		2003-2004		2002-2003	
		Rs.	USD	Rs.	USD
Profit/(Loss) after tax	(A)	(491,989,643)	(10,712,847)	(598,603,410)	(12,398,578)
Weighted Average Equity shares outstanding	(B)	8,674,268	8,674,268	7,733,272	7,733,272
EPS-Basic & Diluted (per share of Rs.10/- each)	(A/B)	(56.72)	(1.24)	(77.41)	(1.60)

10. Related Party Transactions: As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

a. Key Management Personnel and Relatives [KMP]

Shri.P.R.Ramasubrahmaneya Rajha
Shri.P.R.Venketrama Raja

b. Enterprises over which the above persons exercise significant influence and with which the Company has transactions during the year [Group]

Rajapalayam Mills Ltd.,
Madras Cements Ltd.,
Ramco Industries Ltd.,
The Ramaraju Surgical Cotton Mills Ltd.,

Ramco Systems Limited, Global Consolidated (Under AS-21)

The Company's transactions with the above Related Parties are given below :

Current Year		Group Rs.	Group USD	KMP Rs.	KMP USD
Loans availed	Transaction during the year	330,000,000	7,523,940	-	-
	Outstanding as on 31.03.04 (including interest due)	66,889,341	1,525,065	-	-
Loans given	Transaction during the year	-	-	-	-
	Outstanding as on 31.03.04	1,400,500	31,931	-	-
Interest paid	Transaction during the year	9,647,384	210,067	-	-
Sale of goods & services	Transaction during the year	20,228,039	440,456	-	-
	Outstanding as on 31.03.04	3,703,214	84,433	-	-
Previous Year					
Loans availed	Transaction during the year	113,000,000	2,385,476	-	-
	Outstanding as on 31.03.03 (including interest due)	99,455,944	2,099,556	-	-
Loans given	Transaction during the year	-	-	-	-
	Outstanding as on 31.03.03	1,405,322	29,667	-	-
Interest paid	Transaction during the year	8,270,986	171,313	-	-
Sale of goods & services	Transaction during the year	7,269,970	150,610	-	-
	Outstanding as on 31.03.03	153,451	3,179	-	-

The above transactions were done in the ordinary course of business and at commercial rates.

Details of corporate guarantee given by the Group are given in Note no.3 above.

11. Segment Revenue

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the Company has determined its primary operating segments as:

Product Software and Related Services: Engaged in the development, licensing, implementation and maintenance of software solutions.

Other Software Services: Engaged in providing professional services and implementing projects; and

Network Solutions: Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization. The Company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

India and Middle East region, consisting of India, the Middle East and Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines and other countries in the region.

Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.

America, mainly consisting of North and South America and rest of the world.

Primary Segment

The revenues and results of each of the primary segments and the revenues from the geographies are given below:

Particulars	For the year ended 31.03.2004		For the year ended 31.03.2003	
	(Rs in Lacs)	(USD millions)	(Rs in Lacs)	(USD millions)
a. Product Software and Related Services	7,575.04	16.50	6,081.23	12.60
b. Other Software Services	5,749.43	12.52	4,860.77	10.06
c. Network Solutions	3,768.01	8.20	4,663.75	9.66
Total Revenue	17,092.48	37.22	15,605.75	32.32
Less: Inter Segment Revenue	-	-	-	-
Net Sales / Income from Operations	17,092.48	37.22	15,605.75	32.32
Segment Profit / (Loss) before tax and interest				
a. Product Software and Related Services	(328.31)	(0.71)	(1,147.79)	(2.38)
b. Other Software Services	(233.14)	(0.51)	(1,991.25)	(4.12)
c. Network Solutions	82.01	0.18	349.57	0.72
Total	(479.44)	(1.04)	(2,789.47)	(5.78)
Less: Interest	1,261.97	2.75	917.09	1.90
Less: Other un-allocable expenditure net of un-allocable income	3,177.09	6.91	2,279.48	4.72
Less: Current Taxation	2.75	0.01	0.00	0.00
Add: Equity in Earnings /(Losses) of affiliates	1.35	0.00	-	-
Profit / (Loss) before Tax	(4,919.90)	(10.71)	(5,986.04)	(12.40)

Secondary Segment										
For the Year Ended 31.03.2004										
Particulars	India & Middle East		Asean		Europe		America		Total	
	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions
Segment Revenue										
a. Product Software and Related Services	3,000.87	6.54	1,432.75	3.12	1,434.00	3.13	3,238.44	7.05	9,106.06	19.84
b. Other Software Services	1,241.32	2.70	115.14	0.25	1,159.10	2.52	3,791.38	8.25	6,306.94	13.72
c. Network Solutions	3,777.48	8.23	100.15	0.22	-	-	-	-	3,877.63	8.45
Total Revenue	8,019.67	17.47	1,648.04	3.59	2,593.10	5.65	7,029.82	15.30	19,290.63	42.01
Less: Inter Segment Revenue	(2,198.15)	(4.79)	-	-	-	-	-	-	(2,198.15)	(4.79)
Net Sales / Income from Operations	5,821.52	12.68	1,648.04	3.59	2,593.10	5.65	7,029.82	15.30	17,092.48	37.22
Secondary Segment										
For the Year Ended 31.03.2003										
Particulars	India & Middle East		Asean		Europe		America		Total	
	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions	Rs. Lacs	USD millions
Segment Revenue										
a. Product Software and Related Services	1,801.35	3.73	1,240.13	2.57	1,267.82	2.63	2,551.03	5.28	6,860.33	14.21
b. Other Software Services	1,198.39	2.48	347.95	0.72	1,194.03	2.47	2,876.53	5.96	5,616.90	11.63
c. Network Solutions	4,663.75	9.66	-	-	-	-	-	-	4,663.75	9.66
Total Revenue	7,663.49	15.87	1,588.08	3.29	2,461.85	5.10	5,427.56	11.24	17,140.98	35.50
Less: Inter Segment Revenue	(1,535.23)	(3.18)	-	-	-	-	-	-	(1,535.23)	(3.18)
Net Sales / Income from Operations	6,128.26	12.69	1,588.08	3.29	2,461.85	5.10	5,427.56	11.24	15,605.75	32.32

Inter segment revenues under India & Middle East segment represents the value of services rendered by the Company under revenue segments (a) and (b) above to its subsidiaries located in the other secondary segments.

The Company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) are used interchangeably among segments. Significant liabilities contracted are based on the Company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

12. Minority Interest:

As the share of accumulated loss attributable to the 3% Minority Interest in Ramco Systems Corporation, USA, is more than their shareholding, the share of accumulated loss is restricted to their shareholding.

Ramco Systems Limited, Global Consolidated (Under AS-21)

- 13.** For translating local currency of subsidiaries into Indian Rupees the exchange rate applied is as per serial number III of the accounting policies given above. The figures in the US Dollars given alongside the Indian Rupees are provided by way of additional information and are obtained by converting the assets and liabilities at the exchange rates in effect at the balance sheet date, except share capital and share premium which are converted at the exchange rate prevailing on the date of transaction and the revenues, costs and expenses at the average exchange rate prevailing during the reporting period. The resultant gains or losses are taken to the translation reserve.
- 14.** The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.
-

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

M.M. VENKATACHALAM

Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended 31.03.2004		Year Ended 31.03.2003		Year Ended 31.03.2003	
	Rs.	Rs.	Rs.	Rs.	USD	USD
A. Cash Flow From Operating Activities						
Net Profit / (Loss) before tax						
Add: Interest						
	109,233,100	(491,849,473)	110,747,872	(598,608,694)	2,293,867	(12,398,689)
Add: Depreciation	80,188,785	126,196,237	81,518,181	91,708,798	1,688,446	1,899,519
Amortization		(365,653,236)		(506,899,896)		(10,499,170)
	2,378,499	189,421,885	1,746,074	192,266,053	3,982,313	
	176,231,351	(102,055)	(3,837,357)	(314,633,843)	(6,516,857)	
Less: Interest Received	4,686,889	102,055	5,468,550	5,468,550	113,267	
Profit on sale of assets	(1,029,507)	(22,417)	(427,857)	(427,857)	(8,862)	
Miscellaneous Income	11,755,125	255,962	48,716,160	48,716,160	1,009,034	
	15,412,507	335,600	53,756,853	53,756,853	1,113,439	
Operating Profit before Working Capital Changes						
Less: Increase / Decrease in Current assets:						
Trade and Other receivables	(94,078,759)	100,488	(113,193,454)	(113,193,454)	(1,810,723)	
Inventories	(16,107,562)	(293,425)	5,904,608	5,904,608	148,979	
Other current assets [other than Cash and Bank]	22,059,520	549,775	18,746,182	(88,542,664)	401,513	(1,260,231)
	(88,126,801)	356,838	18,746,182	(88,542,664)	401,513	(1,260,231)
	(103,517,057)	(4,529,795)	(279,848,092)	(279,848,092)	(6,370,065)	
Add: Increase/Decrease in Current Liabilities:						
Trade Payables & Taxes	(12,977,878)	426,936	129,955,698	129,955,698	2,935,198	
Bank Borrowings	(327,713,128)	(6,411,028)	(11,529,078)	(11,529,078)	168,257	3,103,455
	(340,691,006)	(6,411,028)	(11,529,078)	(11,529,078)	168,257	3,103,455
Cash generated from operations						
Interest payments	(444,208,063)	(10,513,887)	(161,421,412)	(161,421,412)	(3,266,610)	
	126,196,237	2,747,865	91,708,798	91,708,798	1,899,519	
Net Cash (used in) / from operating activities						
	(570,404,300)	(13,261,752)	(253,130,210)	(253,130,210)	(5,166,129)	
B. Cash Flow from Investing Activities:						
Purchase of Fixed assets	(60,803,752)	(1,336,963)	(58,006,542)	(58,006,542)	(1,201,462)	
Investments in Companies/Mutual Funds	(41,222,739)	(937,863)	(6,886,080)	(6,886,080)	(167,481)	
Miscellaneous Expenditure	(259,252,531)	(6,162,645)	(262,367,612)	(262,367,612)	(5,742,791)	(7,111,794)
Less: Sale of fixed assets	2,559,937	48,406	3,072,254	3,072,254	95,383	
Equity in Earnings/(Losses) of Affiliates-2003-04	134,600	2,931	-	-	-	
Equity in Earnings/(Losses) of Affiliates-2002-03	1,364,139	29,703	-	-	-	
Interest received	4,686,889	102,055	5,468,550	5,468,550	113,267	
Miscellaneous Income	11,755,125	255,962	48,716,160	48,716,160	1,009,034	
Profit on sale of assets	(1,029,507)	(22,417)	(427,857)	(427,857)	(8,862)	
	19,471,183	416,640	56,829,107	56,829,107	(8,862)	1,208,822
Net cash (used in) Investing Activities						
	(341,807,839)	(8,020,831)	(270,431,127)	(270,431,127)	(5,902,912)	

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended 31.03.2004		Year Ended 31.03.2004		Year Ended 31.03.2003	
	Rs.	Rs.	USD	USD	Rs.	USD
C. Cash Flow from Financing Activities						
Proceeds from Issue of Share Capital	740,875,734		16,448,186		-	
Proceeds from secured borrowings	-		-		154,014,857	3,251,316
Proceeds from unsecured borrowings	400,000,000	1,140,875,734	9,119,927	25,568,113	560,550,000	11,876,011
Less: Repayment of unsecured borrowings	140,438,750		2,143,611		186,250	3,946
Income Tax	274,771		5,983		(5,286)	(109)
Repayment of secured borrowings	4,571,416	145,284,937	(42,057)	2,107,537	219,230,634	4,534,159
Net Cash from financing activities		995,590,797		23,460,576	495,153,259	10,593,168
Net increase / (Decrease) in cash and cash equivalents		83,378,658		2,177,993	(28,408,078)	(475,873)
Cash and Cash equivalents as on 01.04.03	163,947,663		3,461,002		192,355,741	3,936,875
Cash and Cash equivalents as on 31.03.04	247,326,321	83,378,658	5,638,995	2,177,993	163,947,663	3,461,002

As per our Report Annexed
For **CNGSN & Associates**
Chartered Accountants

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Vice Chairman, Managing Director & CEO

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

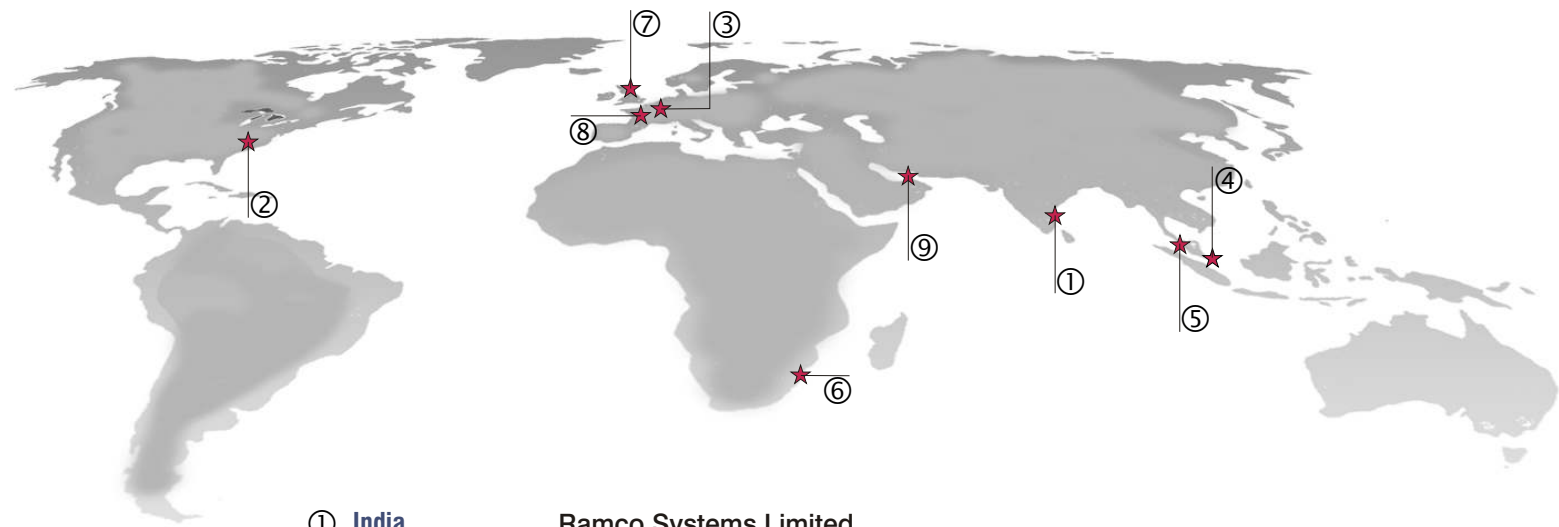
Place: Chennai
Date : 16th June, 2004

S. ANEETHA
Company Secretary

V. JAGADISAN
Directors

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